

**WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER**

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

**Year ended June 30, 2010
and
Independent Auditors' Report**

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
Financial Statements, Required Supplementary Information
and Other Financial Information
June 30, 2010
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INDEPENDENT AUDITORS' REPORT

West Virginia Offices of the Insurance Commissioner
Charleston, West Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the West Virginia Offices of the Insurance Commissioner as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements of the West Virginia Offices of the Insurance Commissioner, as listed in the table of contents. These financial statements are the responsibility of the West Virginia Offices of the Insurance Commissioner's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the West Virginia Offices of the Insurance Commissioner's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the West Virginia Offices of the Insurance Commissioner are intended to present the financial position, and the changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, business-type activities, and each major fund of the State of West Virginia that is attributable to the transactions of the West Virginia Offices of the Insurance Commissioner. They do not purport to, and do not, present fairly the financial position of the State of West Virginia as of June 30, 2010, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the West Virginia Offices of the Insurance Commissioner at June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 5 through 11, the unaudited supplemental claims information on pages 49 through 54 and the budgetary comparison schedule on page 54 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Seattle & Stalaker, PLLC".

Charleston, West Virginia
November 10, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

This section of the West Virginia Offices of the Insurance Commissioner's annual financial report presents management's discussion and analysis of its financial performance for the fiscal years ended June 30, 2010 and June 30, 2009. Please read it in conjunction with the financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

GOVERNMENT-WIDE STATEMENTS

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

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

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

The following table summarizes the financial position and results of operations of the West Virginia Offices of the Insurance Commissioner for the fiscal years 2010 and 2009.

STATEMENT OF NET ASSETS
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current Assets	\$ 49,763	\$ 34,888	\$ 1,187,674	\$ 1,115,733	\$ 1,237,437	\$ 1,150,621
Capital Assets	1,801	1,708	-	-	1,801	1,708
Other Long-Term Assets	<u>72</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72</u>	<u>-</u>
Total Assets	<u>51,636</u>	<u>36,596</u>	<u>1,187,674</u>	<u>1,115,733</u>	<u>1,239,310</u>	<u>1,152,329</u>
Current Liabilities	5,080	2,482	334,682	246,142	339,762	248,624
Long-Term Liabilities	<u>253</u>	<u>256</u>	<u>1,847,600</u>	<u>2,070,400</u>	<u>1,847,853</u>	<u>2,070,656</u>
Total Liabilities	<u>5,333</u>	<u>2,738</u>	<u>2,182,282</u>	<u>2,316,542</u>	<u>2,187,615</u>	<u>2,319,280</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	1,801	1,708	-	-	1,801	1,708
Restricted	-	-	116,420	98,774	116,420	98,774
Unrestricted (Deficit)	<u>44,502</u>	<u>32,150</u>	<u>(1,111,028)</u>	<u>(1,299,583)</u>	<u>(1,066,526)</u>	<u>(1,267,433)</u>
Total Net Assets	<u>\$ 46,303</u>	<u>\$ 33,858</u>	<u>\$ (994,608)</u>	<u>\$ (1,200,809)</u>	<u>\$ (948,305)</u>	<u>\$ (1,166,951)</u>

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

CHANGES IN NET ASSETS
(Expressed in Thousands)

	Governmental Activities		Business - Type Activities		Total Primary Government	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues						
Program Revenues						
Charges for Services	\$ 42,722	\$ 38,946	\$ 254,889	\$ 285,833	\$ 297,611	\$ 324,779
General Revenues						
Investment Earnings	<u>5</u>	<u>41</u>	<u>129,914</u>	<u>(89,042)</u>	<u>129,919</u>	<u>(89,001)</u>
Total Revenues	<u>42,727</u>	<u>38,987</u>	<u>384,803</u>	<u>196,791</u>	<u>427,530</u>	<u>235,778</u>
Expenses						
Program Expenses						
Workers' Compensation	-	-	174,039	61,993	174,039	61,993
AccessWV	-	-	4,563	3,530	4,563	3,530
General Government	<u>30,282</u>	<u>28,537</u>	<u>-</u>	<u>-</u>	<u>30,282</u>	<u>28,537</u>
Total Expenses	<u>30,282</u>	<u>28,537</u>	<u>178,602</u>	<u>65,523</u>	<u>208,884</u>	<u>94,060</u>
Change in Net Assets Before BrickStreet Transactions and Transfers	12,445	10,450	206,201	131,268	218,646	141,718
BrickStreet Transactions, Net	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,741</u>	<u>-</u>	<u>25,741</u>
Change in Net Assets Before Transfers	12,445	10,450	206,201	157,009	218,646	167,459
Other Transfers In (Out)	<u>-</u>	<u>(40,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,000)</u>
Change in Net Assets (Deficit)	12,445	(29,550)	206,201	157,009	218,646	127,459
Net Assets (Deficit), Beginning of Year	<u>33,858</u>	<u>63,408</u>	<u>(1,200,809)</u>	<u>(1,357,818)</u>	<u>(1,166,951)</u>	<u>(1,294,410)</u>
Net Assets (Deficit), End of Year	<u>\$ 46,303</u>	<u>\$ 33,858</u>	<u>\$ (994,608)</u>	<u>\$ (1,200,809)</u>	<u>\$ (948,305)</u>	<u>\$ (1,166,951)</u>

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

FINANCIAL HIGHLIGHTS

- During fiscal year 2010, the Workers' Compensation Old Fund deficit decreased by one hundred eighty eight million five hundred fifty five thousand dollars (\$188,555). The deficit reduction was anticipated because the revenue stream provided by Senate Bill 1004 remained stable while the payment stream declined as claim obligations were satisfied.

- As a part of the 2005 privatization, two hundred million dollars (\$200,000) was transferred to BrickStreet Mutual Insurance Company (BSI) on January 1, 2006, in the form of a surplus note to be repaid to the state by BSI in accordance with the provisions of the surplus note agreement. In fiscal year 2010, BSI repaid the surplus note in its entirety. BSI made payments of forty three million five hundred thousand dollars (\$43,500) in principal repayment to the State. These payments toward the surplus note obligation, when combined with the adjustment provisions as set forth in the surplus note agreement have reduced the balance of the note receivable to zero as of June 30, 2010. Further discussion of the surplus note agreement is contained in Note 9 of these financial statements.

- The West Virginia Offices of the Insurance Commissioner experienced an increase in the fair market value of its investments held during fiscal year 2010, recording an increase of one hundred thirteen million seventy thousand dollars (\$113,070). This increase in fair market value, when combined with the yearly investment earnings of sixteen million eight hundred forty nine thousand dollars (\$16,849) yield a net investment income of one hundred twenty nine million nine hundred nineteen thousand dollars (\$129,919) for fiscal year 2010.

- The Offices of the Insurance Commissioner implemented an aggressive settlement program as part of the overall strategy to eliminate the Workers' Compensation Old Fund deficit during the later part of FY 2010. During the fiscal year, the OIC expended thirty seven million, two hundred twelve thousand dollars (\$37,212) in settlement payments made to execute full and final settlement agreements of Old Fund liabilities. It is anticipated that the settlement initiative will continue in FY 2011 and have a long term positive impact on the Old Fund debt.

FINANCIAL STATEMENTS

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
STATEMENT OF NET ASSETS
JUNE 30, 2010
(In Thousands)

Assets	Primary Government		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current Assets			
Cash and Cash Equivalents	\$ 43,456	\$ 1,166,905	\$ 1,210,361
Receivables, Net:			
Statutory Allocations	-	9,070	9,070
Assessments	770	110	880
Employer Surcharge	5,509	10,337	15,846
Premiums	-	1,186	1,186
Prepaid Assets	28	-	28
Other	-	66	66
Total Current Assets	<u>49,763</u>	<u>1,187,674</u>	<u>1,237,437</u>
Noncurrent Assets			
Prepaid Assets	72	-	72
Capital Assets, Net	<u>1,801</u>	-	<u>1,801</u>
Total Noncurrent Assets	<u>1,873</u>	-	<u>1,873</u>
Total Assets	<u>51,636</u>	<u>1,187,674</u>	<u>1,239,310</u>
Liabilities			
Current Liabilities			
Estimated Liability for Unpaid Claims and Claim Adjustment Expense	-	333,050	333,050
Compensated Absences	780	-	780
Accrued Expenses and Other Liabilities	646	1,057	1,703
OPEB Liability	<u>3,654</u>	<u>575</u>	<u>4,229</u>
Total Current Liabilities	<u>5,080</u>	<u>334,682</u>	<u>339,762</u>
Noncurrent Liabilities			
Estimated Liability for Unpaid Claims and Claim Adjustment Expense	-	1,847,600	1,847,600
Compensated Absences	<u>253</u>	-	<u>253</u>
Total Noncurrent Liabilities	<u>253</u>	<u>1,847,600</u>	<u>1,847,853</u>
Total Liabilities	<u>5,333</u>	<u>2,182,282</u>	<u>2,187,615</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	1,801	-	1,801
Restricted for			
Coal Workers' Pneumoconiosis	-	92,729	92,729
Uninsured Fund	-	3,578	3,578
Self-Insured Funds	-	7,760	7,760
AccessWV	-	12,353	12,353
Unrestricted (Deficit)	<u>44,502</u>	<u>(1,111,028)</u>	<u>(1,066,526)</u>
Total Net Assets (Deficit)	<u>\$ 46,303</u>	<u>\$ (994,608)</u>	<u>\$ (948,305)</u>

See accompanying notes to financial statements.

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010
(In Thousands)

Functions/Programs	Expenses and Claims Provisions	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Governmental Activities	Business-Type Activities	Totals
Primary Government					
Governmental Activities					
General Government	\$ 29,968	\$ 42,722	\$ 12,754	\$ -	\$ 12,754
Depreciation, unallocated	314	-	(314)	-	(314)
Total Governmental Activities	<u>30,282</u>	<u>42,722</u>	<u>12,440</u>	<u>-</u>	<u>12,440</u>
Business-type Activities					
Workers' Compensation	174,039	249,117	-	75,078	75,078
AccessWV	4,563	5,772	-	1,209	1,209
Total Business-Type Activities	<u>178,602</u>	<u>254,889</u>	<u>-</u>	<u>76,287</u>	<u>76,287</u>
Total Primary Government	<u>\$ 208,884</u>	<u>\$ 297,611</u>	<u>12,440</u>	<u>76,287</u>	<u>88,727</u>
General Revenues					
Investment Earnings			5	129,914	129,919
Change in Net Assets (Deficit)			12,445	206,201	218,646
Net Assets (Deficit)-Beginning of Year			<u>33,858</u>	<u>(1,200,809)</u>	<u>(1,166,951)</u>
Net Assets (Deficit)-End of Year			<u>\$ 46,303</u>	<u>\$ (994,608)</u>	<u>\$ (948,305)</u>

See accompanying notes to financial statements.

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2010
(In Thousands)

	<u>Operating Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 43,456
Accounts Receivable - Assessments	770
Accounts Receivable - Employer Surcharge	5,509
Total assets	\$ 49,735
LIABILITIES	
Accounts Payable	\$ 100
Accrued Expenditures and Other Liabilities	4,980
Total liabilities	5,080
FUND BALANCE	
Unreserved	44,655
Total Fund Balance	44,655
Total Liabilities and Fund Balances	\$ 49,735
Total Fund Balance	\$ 44,655
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Prepaid Assets will never convert to cash and therefore are not reported in the funds	100
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds	1,801
Long term liabilities (compensated absences and OPEB liability) are not due and payable in the current period and therefore are not reported in the funds.	(253)
Net assets of Governmental Activities	\$ 46,303

See accompanying notes to financial statements.

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended June 30, 2010
(In Thousands)

	<u>Operating Fund</u>
Revenues	
Fees and Assessments	\$ 42,722
Investment Earnings	<u>5</u>
Total Revenues	42,727
Expenditures	
General and Administrative	<u>30,478</u>
Total Expenditures	<u>30,478</u>
Excess of Revenues over Expenditures	12,249
Fund Balance - Beginning of Year	<u>32,406</u>
Fund Balance - End of Year	<u><u>\$ 44,655</u></u>
Net Change in Fund Balance – Total Governmental Funds	\$ 12,249
Amounts reported for governmental activities in the Statement of Activities are different because:	
Prepaid Assets do not convert to cash and therefore are as expenditures in governmental funds	100
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenses over the life of the assets. This is the amount by which capital outlays exceeded depreciation in the current period.	93
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>3</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 12,445</u></u>

See accompanying notes to financial statements.

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010
(In Thousands)

	<u>Workers'</u> <u>Compensation</u>	<u>AccessWV</u>	<u>Total</u>
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 1,153,890	\$ 13,015	\$ 1,166,905
Receivables, Net:			
Statutory Allocations	9,070	-	9,070
Assessments	110	-	110
Employer Surcharge	10,337	-	10,337
Premiums	1,186	-	1,186
Other	<u>66</u>	<u>-</u>	<u>66</u>
Total Current Assets	<u>1,174,659</u>	<u>13,015</u>	<u>1,187,674</u>
 Total Assets	 <u>1,174,659</u>	 <u>13,015</u>	 <u>1,187,674</u>
Liabilities			
Current Liabilities			
Estimated Liability for Unpaid Claims and Claim			
Adjustment Expense	332,500	550	333,050
OPEB Liability	562	13	575
Accrued Expenses and Other Liabilities	<u>958</u>	<u>99</u>	<u>1,057</u>
Total Current Liabilities	<u>334,020</u>	<u>662</u>	<u>334,682</u>
Noncurrent Liabilities			
Estimated Liability for Unpaid Claims and Claim			
Adjustment Expense	<u>1,847,600</u>	<u>-</u>	<u>1,847,600</u>
Total Noncurrent Liabilities	<u>1,847,600</u>	<u>-</u>	<u>1,847,600</u>
Total Liabilities	<u>2,181,620</u>	<u>662</u>	<u>2,182,282</u>
Net Assets			
Restricted for			
Coal Workers' Pneumoconiosis	92,729	-	92,729
Uninsured Fund	3,578	-	3,578
Self-Insured Funds	7,760	-	7,760
AccessWV	-	12,353	12,353
Unrestricted (Deficit)	<u>(1,111,028)</u>	<u>-</u>	<u>(1,111,028)</u>
Total Net Assets (Deficit)	<u>\$ (1,006,961)</u>	<u>\$ 12,353</u>	<u>\$ (994,608)</u>

See accompanying notes to financial statements.

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2010
(In Thousands)

	<u>Workers'</u> <u>Compensation</u>	<u>AccessWV</u>	<u>Total</u>
Operating Revenues			
Statutory Allocations	\$ 198,410	\$ -	\$ 198,410
Assessments	50,032	1,035	51,067
Net Premium Revenue	582	4,619	5,201
Other Operating Revenue	<u>93</u>	<u>118</u>	<u>211</u>
Total Operating Revenue	<u>249,117</u>	<u>5,772</u>	<u>254,889</u>
Operating Expenses and Claims Provisions			
Claims and Claim Adjustment Provisions (See Note 5)	153,828	4,238	158,066
General and Administration	<u>20,211</u>	<u>325</u>	<u>20,536</u>
Total Operating Expenses and Claims Provisions	<u>174,039</u>	<u>4,563</u>	<u>178,602</u>
Operating Income	<u>75,078</u>	<u>1,209</u>	<u>76,287</u>
Nonoperating Revenues (Expenses)			
Investment Earnings (Loss)	<u>129,932</u>	<u>(18)</u>	<u>129,914</u>
Total Nonoperating Revenues (Expenses)	<u>129,932</u>	<u>(18)</u>	<u>129,914</u>
Change in Net Assets (Deficit)	205,010	1,191	206,201
Total Net Assets (Deficit) - Beginning of Year	<u>(1,211,971)</u>	<u>11,162</u>	<u>(1,200,809)</u>
Total Net Assets (Deficit) - End of Year	<u>\$ (1,006,961)</u>	<u>\$ 12,353</u>	<u>\$ (994,608)</u>

See accompanying notes to financial statements.

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
Year Ended June 30, 2010
(In Thousands)

	<u>Workers'</u> <u>Compensation</u>	<u>AccessWV</u>	<u>Totals</u>
Cash Flows from Operating Activities			
Receipts from Statutory Allocations, Fees and Assessments	\$ 245,122	\$ -	\$ 245,122
Receipts from Employers and Policyholders	3,172	5,772	8,944
Payments to Claimants and Providers	(289,559)	13	(289,546)
Payments to Employees	398	(37)	361
Payments to Suppliers	<u>(19,460)</u>	<u>(4,217)</u>	<u>(23,677)</u>
Net Cash Provided (Used) by Operating Activities	<u>(60,327)</u>	<u>1,531</u>	<u>(58,796)</u>
Cash flows from Investing Activities			
BrickStreet Note Receivable Principal Payments	43,500	-	43,500
Investment Earnings	<u>129,932</u>	<u>(18)</u>	<u>129,914</u>
Net Cash Provided (Used) by Investing Activities	<u>173,432</u>	<u>(18)</u>	<u>173,414</u>
Net increase in Cash and Cash Equivalents	113,105	1,513	114,618
Cash and Cash Equivalents - Beginning of Year	<u>1,040,785</u>	<u>11,502</u>	<u>1,052,287</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,153,890</u>	<u>\$ 13,015</u>	<u>\$ 1,166,905</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 75,078	\$ 1,209	\$ 76,287
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Net change in assets and liabilities:			
Receivables, net	(823)	-	(823)
Estimated liability for claims and claim adjustment expenses	(135,800)	240	(135,560)
Compensated Absences	-	82	82
Accrued expenses and other liabilities	<u>1,218</u>	<u>-</u>	<u>1,218</u>
Net cash provided (used) by operating activities	<u>\$ (60,327)</u>	<u>\$ 1,531</u>	<u>\$ (58,796)</u>

See accompanying notes to financial statements.

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010
(In Thousands, Unless Otherwise Noted)

1. Financial Reporting Entity

The West Virginia Offices of the Insurance Commissioner (the Insurance Commissioner) is an agency of the State of West Virginia (the State) and, accordingly, is reported as a part of the primary government in the State's Comprehensive Annual Financial Report (CAFR). The mission of the Insurance Commissioner is to promote a competitive and solvent insurance market, with adequate consumer protection, by fairly and consistently administering the insurance laws of the State of West Virginia.

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

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

The Insurance Commissioner is responsible for certain proprietary funds established for the purpose of maintaining an effective workers' compensation system. Those funds consist of the Uninsured Employers' Fund and the Self-Insured Funds.

The Insurance Commissioner also administers the West Virginia Health Insurance Plan known as AccessWV, which is a high risk health insurance pool. AccessWV provides health insurance for medically uninsurable individuals and their dependents. Due to the federal government's March 23, 2010, enactment of the Patient Protection and Affordable Care Act (PPACA) insurance carriers will no longer be able to deny coverage to individuals with pre-existing health conditions beginning 2014. Accordingly, it is anticipated that AccessWV will cease to exist in 2014.

The Old Fund, the CWP Fund, the Uninsured Employers' Fund, and the Self-Insured Employers' Funds are combined to comprise the Workers' Compensation Fund. For financial statement purposes, only the Workers' Compensation Fund is considered a reporting fund, and the statutorily created "funds" that comprise it are considered components of the fund. The Workers' Compensation Fund and AccessWV combine to comprise the proprietary funds reported in the financial statements. The Insurance Commissioner also maintains an operating fund that is reported as the general fund for financial statements purposes.

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010
(In Thousands, Unless Otherwise Noted)

1. Financial Reporting Entity (Continued)

The financial statements of the Insurance Commissioner are intended to present the financial position and the changes in financial position and cash flows of only that portion of the financial reporting entity of the State of West Virginia that is attributable to the transactions of the Insurance Commissioner. They do not purport to, and do not, present the financial position of the State of West Virginia as of June 30, 2010, and the changes in its financial position and its cash flows for the year then ended.

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

In order to address the substantial deficit in the workers' compensation fund, a special session of the West Virginia Legislature was convened in January 2005. During the special session, the West Virginia Legislature enacted Senate Bill 1004, effective January 29, 2005, that established a framework for the privatization of workers' compensation insurance in West Virginia and established a timeline for the transition to an open competitive market by July 1, 2008. Senate Bill 1004 also established a revenue stream dedicated to paying down the unfunded liability in the workers' compensation fund.

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010
(In Thousands, Unless Otherwise Noted)

1. Financial Reporting Entity (Continued)

The legislation defined the requirements for the formation of a domestic employers' mutual insurance company (the company) by January 1, 2006, as the successor to the WCC. As a result, BrickStreet Mutual Insurance Company was formed.

With the passage of Senate Bill 1004, several funds were established in the state treasury. Upon termination of the WCC, the administrative oversight of those funds transitioned to the West Virginia Offices of the Insurance Commissioner.

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

The Uninsured Employer Fund (UEF) is the fund held by the West Virginia State Treasurer's Office consisting of those funds transferred to it from the workers' compensation fund and any other source, including assessments to carriers and employers. An injured worker may receive compensation from the UEF if: he or she meets all jurisdictional and entitlement provisions of Chapter 23 of the Code; he or she files a claim with the Insurance Commissioner; and he or she irrevocably assigns all of his or her rights to the Insurance Commissioner to recover money from a collateral source for the occurrence or exposure which resulted in the claimant's injury. The Insurance Commissioner has the right to recover all payments made on behalf of an employer that is found to be liable, including interest on any amounts paid. In addition, the Insurance Commissioner may impose an administrative fine of not more than ten thousand dollars against an employer if the employer fails to provide mandatory coverage.

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

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

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010
(In Thousands, Unless Otherwise Noted)

1. Financial Reporting Entity (Continued)

With the passage of House Bill 4381, §23-2C-10 was modified to allow the Insurance Commissioner to designate a third party to develop and administer an adverse risk pooling arrangement. The Insurance Commissioner has appointed NCCI as the administrator of the state's workers' compensation adverse risk pooling arrangement. NCCI has the authority to develop premium levels designed to make the system self-sustaining and to assess carriers to cover any deficits that may arise in the pooling arrangement. The adverse risk pool became operational on January 1, 2009, six months after the market opened to competition. To qualify for adverse risk assignment, an employer must have been categorically declined coverage by at least two insurers that are not affiliated with each other. The employer will have the burden of establishing that at least two insurers are unwilling to provide coverage at any premium level that is reasonably related to the risk presented by the employer.

Pursuant to §23-2c-16 of the West Virginia State Code, BrickStreet served as the initial third-party administrator of the Old Fund, the Uninsured Employer Fund, the Self-Insured Guaranty Risk Pool, and the Self-Insured Security Risk Pool from the termination of the WCC on December 31, 2005, until December 31, 2007. Beginning January 1, 2008, third-party administrator responsibilities were divided between American Mining Claims Services Inc., Sedgwick CMS, and Wells Fargo Disability Management.

2. Significant Accounting Policies

Basis of Presentation

The Insurance Commissioner operates enterprise funds subject to Governmental Accounting Standards Board Statement 10 (GASB 10), "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," Governmental Accounting Standards Board Statement 30 (GASB 30), "Risk Financing Omnibus - An Amendment of GASB Statement No. 10," and Financial Accounting Standards Codification 944 (ASC 944), "Accounting and Reporting for Insurance Enterprises." An enterprise fund is used to account for the operations of state agencies providing goods or services to the general public on a user-charge basis, or for any activity whose principal revenue sources meet any of the following criteria: debt backed solely by fees and charges; legal requirement to recover cost; or policy decision to recover cost.

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

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010
(In Thousands, Unless Otherwise Noted)

2. Significant Accounting Policies (Continued)

The Insurance Commissioner is also subject to GASB Statement 40, "Deposits and Investment Risk Disclosures - an amendment of GASB 3" (GASB 40), and GASB Statement 46, "Net Assets Restricted by Enabling Legislation - an amendment to GASB 34" (GASB 46) and GASB Statement 45 "Other Post Employment Benefits" (GASB 45).

GASB 40 modifies disclosures to limit required disclosures to:

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

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

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

Basis of Accounting

The Insurance Commissioner uses the accrual basis of accounting for the government-wide financial statements and the enterprise funds. Under this method, revenues are recorded when earned and expenses are recorded when incurred.

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010
(In Thousands, Unless Otherwise Noted)

2. Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available to pay liabilities of the current period. For this purpose, revenues are generally considered available if received in the first 60 days after year end. Expenditures are generally recorded when the related liability is incurred, as under accrual accounting.

Budgetary Data

Pursuant to §5A-2-12 of the West Virginia Code (the Code), the West Virginia Offices of the Insurance Commissioner submits a detailed budgetary schedule of administrative expenses to the Secretary of the Department of Administration prior to the beginning of each fiscal year. The budgetary schedule is prepared on the cash basis. All financial operations of the

Insurance Commissioner, except for benefits and direct claims costs, are subject to a nonappropriated budget review and approval process in which the Insurance Commissioner submits a financial plan for approval in a manner authorized by statute.

Cash and Cash Equivalents

Cash on hand and held by the West Virginia State Treasurer for the benefit of the Insurance Commissioner on June 30, 2010, totaled \$40,917. Cash that is pooled with funds of other state agencies and invested by the West Virginia Investment Management Board (IMB) for the benefit of the Insurance Commissioner totals \$1,151,854, and cash pooled with funds of other state agencies and invested by the Board of Treasury Investments (BTI) was \$17,590. For purposes of the statement of cash flows, the Insurance Commissioner considers its share of the pooled deposits to be cash equivalents in accordance with GASB 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

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

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010
(In Thousands, Unless Otherwise Noted)

2. Significant Accounting Policies (Continued)

West Virginia Investment Management Board (IMB) Investments

Large Cap Domestic

The Pool holds equity securities of U.S. companies, exchange traded stock index futures, and money market funds with the highest credit rating. These types of securities are not exposed to credit risk, interest rate risk, custodial credit risk, or foreign currency risk. At June 30, 2010, the Pool, in accordance with West Virginia statutes, did not hold securities of any one issuer in excess of 5 percent of the value of the Pool and is not exposed to concentration of credit risk.

Non-Large Cap Domestic

The Pool holds equity securities of U.S. companies and money market funds with the highest credit rating. These types of securities are not exposed to credit risk, interest rate risk, custodial credit risk, or foreign currency risk. At June 30, 2010, the Pool, in accordance with West Virginia statutes, did not hold securities of any one issuer in excess of 5 percent of the value of the Pool and is not exposed to concentration of credit risk.

International Qualified

The Pool invests in a collective trust fund that invests in equities denominated in foreign currencies. The value of this investment at June 30, 2010, was \$695,712. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments. West Virginia statute limits the amount of international securities to no more than 30 percent of the total assets managed by the IMB. At June 30, 2010 the IMB was in compliance with this limitation. The Pool is not exposed to credit risk, interest rate risk, custodial credit risk, or concentration of credit risk.

International Nonqualified

The Pool invests in a collective trust fund that invests in equities denominated in foreign currencies. The value of this investment at June 30, 2010, was \$53,797. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments. West Virginia statute limits the amount of international securities to no more than 30 percent of the total assets managed by the IMB. At June 30, 2010, the IMB was in compliance with this limitation. The Pool is not exposed to credit risk, interest rate risk, custodial credit risk, or concentration of credit risk.

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010
(In Thousands, Unless Otherwise Noted)

2. Significant Accounting Policies (Continued)

International Equity

The Pool is not exposed to credit risk, interest rate risk, or custodial credit risk. At June 30, 2010, the Pool, in accordance with West Virginia statutes, did not hold securities of any one issuer in excess of 5 percent of the value of the Pool. The Pool has both equity securities and cash that are denominated in foreign currencies and are exposed to foreign currency risks. West Virginia statute limits the amount of international securities to no more than 30 percent of the total assets managed by the IMB. At June 30, 2010, the IMB was in compliance with this limitation. The amounts at fair value of the securities and cash denominated in foreign currencies as of June 30, 2010 are as follows:

Currency	Equity Securities	Cash	Total
Australian Dollar	\$ 28,001	\$ 8	\$ 28,009
Brazil Cruzeiros Real	82,624	1,605	84,229
British Pound Sterling	141,897	435	142,332
Canadian Dollar	58,467	59	58,526
Czech Koruna	10,106	5	10,111
Danish Krone	7,115	6	7,121
Egyptian Pound	741	12	753
Euro Currency Unit	242,635	379	243,014
Hong Kong Dollar	137,405	848	138,253
Hungarian Forint	11,994	39	12,033
Indian Rupee	1,938	1	1,939
Indonesian Rupian	4,049	24	4,073
Israeli Shekel	22,323	-	22,323
Japanese Yen	162,122	1,834	163,956
Malaysian Ringgit	10,960	206	11,166
Mexican New Peso	23,959	422	24,381
New Taiwan Dollar	51,582	2,875	54,457
New Turkish Lira	44,480	1	44,481
New Zealand Dollar	1,025	-	1,025
Norwegian Krone	11,570	33	11,603
Pakistan Rupee	923	-	923
Phillippines Peso	6,158	15	6,173
Polish Zloty	7,912	5	7,917
Singapore Dollar	29,787	113	29,900
South African Rand	38,417	132	38,549
South Korean Won	103,072	1,207	104,279
Swedish Krona	18,257	45	18,302
Swiss Franc	41,481	417	41,898
Thailand Baht	8,775	180	8,955
	<u>\$ 1,309,775</u>	<u>\$ 10,906</u>	<u>\$ 1,320,681</u>

This table excludes cash and securities held by the Pool that are denominated in U.S. dollars. The market value of the U.S. dollar denominated cash and securities is \$185,968.

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010
(In Thousands, Unless Otherwise Noted)

2. Significant Accounting Policies (Continued)

Short-Term Fixed Income

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

The following table provides information on the weighted average credit ratings of the Pool's investments as of June 30, 2010.

<u>Security Type</u>	<u>Moody's</u>	<u>S&P</u>	<u>Carrying Value</u>	<u>Percent</u>
U.S. Treasury bills	Aaa	AAA	\$ 126,984	41.4%
Agency discount notes	P-1	A-1	89,973	29.3%
Commercial paper	P-1	A-1	38,997	12.7%
U.S. Treasury notes	Aaa	AAA	25,572	8.4%
Agency notes	Aaa	AAA	24,999	8.2%
Money market fund	Aaa	AAA	<u>1</u>	<u>0.0%</u>
Total rated investments			<u>\$ 306,526</u>	<u>100.0%</u>

This table includes securities received as collateral for repurchase agreements with a fair value of \$70,971 as compared to the amortized cost of the repurchase agreements of \$69,861.

Concentration of Credit Risk - West Virginia statutes prohibit the Pool from investing more than 5 percent of its assets in securities issued by a single private corporation or association. At June 30, 2010, the Pool did not have investments in any one private corporation or association that represented more than 5 percent of assets.

Custodial Credit Risk - At June 30, 2010, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements are collateralized at 102 percent and the collateral is held in the name of the IMB. All remaining securities are held by the IMB's custodian in the name of the IMB.

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010
(In Thousands, Unless Otherwise Noted)

2. Significant Accounting Policies (Continued)

Interest Rate Risk - The weighted average maturity of the investments of the Pool is not to exceed sixty days. The maturity of floating rate notes is assumed to be the next interest rate reset date. The following table provides the weighted average maturities (WAM) for the various asset types in the Short-Term pool as of June 30, 2010.

<u>Security Type</u>	<u>Carrying Value</u>	<u>WAM (days)</u>
Agency discount notes	\$ 89,973	48
U.S. Treasury bills	81,586	32
Repurchase agreements	69,861	1
Commercial paper	38,997	11
Agency notes	24,999	41
Money market fund	<u>1</u>	1
Total assets	<u>\$ 305,417</u>	28

Foreign Currency Risk - The Pool has no securities that are subject to foreign currency risk.

Total Return Fixed Income

Credit Risk - The IMB limits the exposure to credit risk in the 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 rated assets in the Pool as of June 30, 2010.

<u>Security Type</u>	<u>Moody's</u>	<u>S&P</u>	<u>Fair Value</u>	<u>Percent of Assets</u>
Corporate bonds and notes	Baa	BBB	\$ 572,512	31.8%
Money market funds	Aaa	AAA	268,245	14.9%
Agency mortgage backed securities	Aaa	AAA	200,978	11.2%
U. S. Treasury bonds and notes	Aaa	AAA	165,854	9.2%
Corporate collateralized mortgage obligations	Ba	BB	65,134	3.6%
U.S. Treasury inflation protection bonds	Aaa	AAA	30,997	1.7%
Municipal bonds	Aa	A	26,929	1.5%
Corporate asset backed securities	Aaa	AAA	13,213	0.7%
Agency collateralized mortgage obligations	Aaa	AAA	7,258	0.4%
Agency notes	Aa	A	4,004	0.2%
Corporate preferred securities	NR	NR	<u>891</u>	<u>0.0%</u>
Total rated investments			<u>\$ 1,356,015</u>	<u>75.2%</u>

Unrated securities include commingled investment pools valued at \$441,720 and option contract purchase valued at \$1,349. These unrated securities represent 24.8 percent of the fair value of the pool's investments.

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010
(In Thousands, Unless Otherwise Noted)

2. Significant Accounting Policies (Continued)

Concentration of Credit Risk - West Virginia statutes prohibit the Pool from investing more than 5 percent of its assets in securities issued by a single private corporation or association. At June 30, 2010, the Pool did not have investments in any one private corporation or association that represented more than 5 percent of assets.

Custodial Credit Risk - At June 30, 2010, the Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized at 102 percent and the collateral is held in the name of the IMB. Investments in commingled funds are held in an account in the name of the IMB. All remaining securities are held by the IMB's custodian in the name of the IMB. Securities lending collateral that is reported in the Statement of Assets and Liabilities is invested in the lending agent's money market fund.

Interest Rate Risk - The IMB monitors interest rate risk of the Pool by evaluating 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 Pool as of June 30, 2010.

<u>Security Type</u>	<u>Fair Value</u>	<u>Modified Duration (years)</u>
Corporate bonds and notes	\$ 572,512	6.3
Commingled investment pools	441,720	0.5
Money market fund	268,245	0.0
Agency mortgage backed securities	200,978	3.8
U.S. Treasury bonds and notes	165,854	3.9
Corporate collateralized mortgage obligations	65,134	4.8
U.S. Treasury inflation protection bonds	30,997	13.1
Municipal bonds	26,929	17.7
Corporate asset backed securities	13,213	17.5
Agency collateralized mortgage obligations	7,258	5.2
Agency notes	<u>4,004</u>	2.0
Total assets	<u>\$ 1,796,844</u>	4.1

The 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, 2010, the Pool held \$286,583 of these securities. This represents approximately 16 percent of the value of the Pool's securities.

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010
(In Thousands, Unless Otherwise Noted)

2. Significant Accounting Policies (Continued)

Foreign Currency Risk - None of the notes, bonds, asset backed securities, mortgage backed securities, collateralized mortgage obligations or money market fund held by the Pool are exposed to foreign currency risk. However, the Pool does have foreign exchange forward contracts. Additionally, the Pool has indirect exposure to foreign currency risk through its ownership interests in certain of the commingled investment pools. Approximately \$111,363, or 25 percent, 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 percent of the total assets managed by the IMB. At June 30, 2010, the IMB was in compliance with this limitation.

Core Fixed Income

Credit Risk - The IMB limits the exposure to credit risk in the 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 rated assets in the Pool as of June 30, 2010.

<u>Security Type</u>	<u>Moody's</u>	<u>S&P</u>	<u>Fair Value</u>	<u>Percent of Assets</u>
U. S. Treasury bonds and notes	Aaa	AAA	\$ 334,152	21.4%
Agency collateralized mortgage obligations	Aaa	AAA	245,849	15.7%
Corporate bonds and notes	A	A	153,804	9.9%
Agency mortgage backed securities	Aaa	AAA	138,487	8.9%
Corporate collateralized mortgage obligations	Aa	AAA	122,349	7.9%
Money market funds	Aaa	AAA	53,413	3.4%
Corporate asset backed securities	Aaa	AAA	10,679	0.7%
Agency notes	Aaa	AAA	13,494	0.9%
Municipal bonds	Aa	A	<u>273</u>	<u>0.0%</u>
Total rated investments			<u>\$ 1,072,500</u>	<u>68.8%</u>

Unrated securities include a commingled investment pool valued at \$488,243. This unrated security represents 31.2 percent of the fair value of the pool's investments.

Concentration of Credit Risk - West Virginia statutes prohibit the Pool from investing more than 5 percent of its assets in securities issued by a single private corporation or association. At June 30, 2010, the Pool did not have investments in any one private corporation or association that represented more than 5 percent of assets.

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2. Significant Accounting Policies (Continued)

Custodial Credit Risk - At June 30, 2010, the Pool held no securities that were subject to custodial credit risk. All securities are held by the IMB's custodian in the name of the IMB. The investment in a commingled investment pool is held in an account in the name of the IMB.

Interest Rate Risk - The IMB monitors interest rate risk of the Pool by evaluating 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 Pool as of June 30, 2010.

<u>Security Type</u>	<u>Fair Value</u>	<u>Modified Duration (years)</u>
Commingled investment pools	\$ 488,243	4.3
U. S. Treasury bonds and notes	334,152	5.8
Agency collateralized mortgage obligations	245,849	3.7
Corporate bonds and notes	153,804	5.9
Agency mortgage backed securities	138,487	3.0
Corporate collateralized mortgage obligations	122,349	3.4
Money market funds	53,413	0.0
Corporate asset backed securities	10,679	1.7
Agency notes	13,494	6.0
Municipal bonds	273	12.0
Total assets	<u>\$ 1,560,743</u>	4.4

The 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, 2010, the Pool held \$517,363 of these securities. This represents approximately 33 percent of the value of the Pool's securities.

Foreign Currency Risk - None of the securities held by the Pool are exposed to foreign currency risk.

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2. Significant Accounting Policies (Continued)

Hedge Fund

The Pool 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, 2010, approximately \$393,329 or 35 percent, of the market value of the funds were held in foreign currencies.

Administrative

At June 30, 2010, all of the IMB Administrative Fund's cash equivalents were invested in an institutional Treasury Money Market fund. This investment fund is rated Aaa by Moody's and AAA by Standard & Poor's and has no significant custodial credit risk or interest rate risk. The investment fund invests in U.S. Treasuries and is not exposed to a concentration of credit risk or any foreign currency risk. Cash balances are held in a FDIC insured bank account, the balance of which is below the \$250,000 insurance limit at all times.

Board of Treasury (BTI) Investments

The West Virginia Board of Treasury Investments (the "BTI") is charged with managing the individual investment pools and accounts of the Consolidated Fund under authority of West Virginia State Code Chapter 12, Article 6C, West Virginia Treasury Investments Act. The 2005 West Virginia Legislature established the BTI, effective July 8, 2005, as a public corporation of the State of West Virginia, to make short-term operating funds of the State more accessible to state government and to allow the West Virginia Investment Management Board (the "IMB"), which had managed the Consolidated Fund, to focus on the state's long-term trust investments. The BTI operates on a fiscal year that begins July 1 and ends June 30. The Consolidated Fund provides for the investment of moneys not currently needed to fund state governmental operations, as well as providing the opportunity for local governments to participate in large investment pools, and for those funds statutorily required to be invested in the Consolidated Fund. The West Virginia State Treasurer's Office provides direct administrative and management services to the BTI. The BTI does not employ a staff, but reimburses the Treasurer's Office for all personnel expenses of Treasury employees assigned to administer and manage the BTI.

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2. Significant Accounting Policies (Continued)

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

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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Two of the BTI’s pools, the WV Money Market and WV Government Money Market Pools have been rated AAAM by Standard & Poor’s. A fund rated “AAAM” has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. “AAAM” is the highest principal stability fund rating assigned by Standard & Poor’s. Neither the BTI itself nor any of the other Consolidated Fund pools or accounts has been rated for credit risk by any organization. Of the Consolidated Fund pools and accounts, five are subject to credit risk: WV Money Market Pool, WV Government Money Market Pool, WV Short Term Bond Pool, Loan Pool, and School Fund Account.

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2. Significant Accounting Policies (Continued)

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

<u>Security Type</u>	<u>Credit Rating</u>		<u>Carrying Value</u>	<u>Percent of Pool Assets</u>
	<u>Moody's</u>	<u>S&P</u>		
Commercial Paper	P1	A-1	\$ 855,844	29.75%
Corporate bonds and notes	Aa1	AA	10,000	0.35
	Aa2	AA	10,000	0.35
Total corporate bonds and notes			20,000	0.70
U.S. agency bonds	Aaa	AAA	246,990	8.59
U.S. Treasury notes *	Aaa	AAA	65,153	2.26
U.S. Treasury bills *	Aaa	AAA	476,670	16.57
Negotiable certificates of deposit	P1	A-1	281,000	9.77
U.S. agency discount notes	P1	A-1	606,048	21.07
Money market funds	Aaa	AAA	150,026	5.21
Repurchase agreements (underlying securities):				
U.S. Treasury notes *	Aaa	AAA	101,280	3.52
U.S. agency notes	Aaa	AAA	73,700	2.56
Total repurchase agreements			174,980	6.08
			<u>\$ 2,876,711</u>	<u>100.00%</u>

* U.S. Treasury issues are explicitly guaranteed by the United States government and are not subject to credit risk.

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2. Significant Accounting Policies (Continued)

The BTI limits the exposure to credit risk in the WV Government Money Market Pool by limiting the pool to U.S. Treasury issues, U.S. government agency issues, money market funds investing in U.S. Treasury issues and U.S. government agency issues, and repurchase agreements collateralized by U.S. Treasury issues and U.S. government agency issues. The pool must have at least 15 percent of its assets in U.S. Treasury issues. The following table provides information on the credit ratings of the WV Government Money Market Pool's investments (in thousands):

<u>Security Type</u>	<u>Credit Rating</u>		<u>Carrying Value</u>	<u>Percent of Pool Assets</u>
	<u>Moody's</u>	<u>S&P</u>		
U.S. agency bonds	Aaa	AAA	\$ 79,532	35.96%
U.S. Treasury notes*	Aaa	AAA	8,526	3.85
U.S. Treasury bills*	Aaa	AAA	29,982	13.55
U.S. agency discount notes	P1	A-1	36,465	16.49
Money market funds	Aaa	AAA	78	0.04
Repurchase agreements (underlying securities):				
U.S. agency notes	Aaa	AAA	66,600	30.11
			\$ 221,183	100.00%

* U.S. Treasury issues are explicitly guaranteed by the United States government and are not subject to credit risk.

Receivables and Allowance for Doubtful Accounts

Net Receivables at the balance sheet date represent management's best estimate of the net realizable value of taxes, fees, assessments, premiums and related revenue due as of June 30, 2010. All premiums receivable balances due to the West Virginia Offices of the Insurance Commissioner consist of past premiums due from defaulted employers for periods of coverage prior to June 30, 2005, from the former Workers' Compensation Commission. Due to the age of these remaining premium receivables, only the actual subsequent receipts are recognized in the financial statements unless the employer has entered into a bona fide repayment agreement with the State or if the employer is subject to a court ordered restitution agreement. The Insurance Commissioner also recognizes a receivable for fines assessed against and claims reimbursements amounts billed to uninsured employers.

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

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2. Significant Accounting Policies (Continued)

Capital Assets

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

Estimated Liability for Unpaid Claims and Claim Adjustment Expenses

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

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

Compensated Absences and Other Post Employment Benefits

Employees fully vest in all earned but unused vacation, and the Insurance Commissioner accrues for obligations that may arise in connection with compensated absences for vacation at the current rate of employee pay. Under the provision of §5-16-13 of the West Virginia Code, Insurance Commissioner employees, upon retirement, may apply their accumulated annual and/or sick leave toward extending their health care insurance coverage. Under the provisions of the same statute, employees may alternatively choose to apply their accumulated annual and/or sick leave toward additional credited service in the computation of their retirement benefits. The Insurance Commissioner accounts for compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. This statement requires entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

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2. Significant Accounting Policies (Continued)

Effective July 1, 2007, the Insurance Commissioner adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This statement provided standards for the measurement, recognition, and display of other postemployment benefit (“OPEB”) expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State of West Virginia (the “State”). Effective July 1, 2007, the Insurance Commissioner was required to participate in this multiple employer cost-sharing plan sponsored by the State of West Virginia. Details regarding this plan can be obtained by contacting Public Employees Insurance Agency (“PEIA”), State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston WV 25305-0710 or <http://www.wvpeia.com>.

The Insurance Commissioner’s full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination. Full-time employees also earn 1-1/2 sick leave days for each month of service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extend health insurance for one month of single coverage and three days extend health insurance for one month of family coverage. For employees hired after 1988, the employee shares in the cost of the extended benefit coverage to the extent of 50 percent of the premium required for the extended coverage. Employees hired July 1, 2001, or later will no longer receive sick leave credit toward insurance premiums when they retire. The liability is now provided for under the multiple employer cost-sharing plan sponsored by the State.

For the year ended June 30, 2010, with the adoption of GASB Statement No. 45, OPEB costs are accrued based upon invoices received from PEIA based upon actuarial determined amounts. At June 30, 2010, the current liability related to OPEB costs was \$4,229.

Other Operating Revenue

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

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

During fiscal year 2010, the Surplus Note from BrickStreet Mutual Insurance Company was reduced by forty three million five hundred thousand dollars (\$43,500). This reduced the carrying value of the Surplus Note to zero (\$0).

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2. Significant Accounting Policies (Continued)

Statutory Allocations Proceeds

The Insurance Commissioner recognized one hundred ninety eight million four hundred ten thousand dollars (\$198,410) of revenues allocated to Old Fund Debt Reduction during fiscal year 2010. The allocations are comprised of ninety two million ten thousand dollars (\$92,010) in severance tax proceeds, ninety five million four hundred thousand dollars (\$95,400) in personal income tax proceeds and eleven million dollars (\$11,000) from West Virginia Lottery proceeds.

Net Assets

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

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

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

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

Subsequent Events

In preparing these financial statements, the Insurance Commissioner has evaluated events and transactions for potential recognition or disclosure through November 10, 2010, the date the financial statements were available for issuance.

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3. Cash and Cash Equivalents

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

During fiscal year 2010, stockholdings were limited to 10 percent of the Old Fund portfolio, while the equity allocation was limited to 20 percent of the Coal Worker's Pneumoconiosis Fund. Because the assets are held in the pools, no other disclosure related to credit or market risk is required. However, market risk exists as the assets of the pools may decline in value because of an increase in interest rates or a decline in stock prices. Such market risk is borne by the participants in the pools.

Invested assets of both the Worker's Compensation Uninsured Fund and the Self- Insured Guaranty Risk Pool were held entirely in the IMB's cash pools throughout fiscal year 2010. During fiscal year 2010, the investments of the Access WV Health Plan with the IMB were allocated 50 percent to equity and 50 percent to fixed income.

4. Leases

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

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

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4. Leases (Continued)

Future minimum scheduled rentals under operating leases at June 30, 2010, were as follows:

2011	\$	1,376
2012		431
2013		144
2014		63
2015		-
Thereafter		-
Total minimum lease payments		2,014

Rental expense was \$1,488 for the year ended June 30, 2010.

5. Estimated Liability for Unpaid Claims and Claim Adjustment Expenses

GASB standards state “the practice of presenting claims liabilities at the discounted present value of estimated future cash payments (discounting) is neither mandated nor prohibited.” GASB standards provide that, if discounting is used, the pool should use a rate that is determined by giving consideration to such factors as the pool’s expected settlement rate for those liabilities and its expected investment yield rate. Based on the expected investment yields on the Insurance Commissioner’s investment portfolio, the estimated liability for unpaid claims and claim adjustment expenses (claims liability) has been discounted using a rate of 5.0 percent at June 30, 2010.

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

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

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

At June 30, 2010, the total undiscounted claims liability for the Insurance Commissioner's Workers' Compensation Funds approximated \$3.5 billion, and the undiscounted claims liability for the Old Fund approximated \$3.2 billion. Invested assets of the Old Fund are not sufficient at current investment rates to retire the claims liability and the Old Fund has a significant deficit. If discounting of the Old Fund claims liability were limited to anticipated investment income, the Old Fund's discounted claims liability would have increased by approximately \$1.08 billion to a claims liability of approximately \$3.10 billion, and the Insurance Commissioner's Workers' Compensation Funds total discounted claims liability would have increased to approximately \$3.26 billion. The Old Funds' deficit would increase to approximately \$2.19 billion, and the Insurance Commissioner's Workers' Compensation Funds total deficit would increase to approximately \$2.09 billion at June 30, 2010.

The following schedule represents the reconciliation of the unpaid claims liability for the Insurance Commissioner's Workers' Compensation Funds discounted at 5.0 percent at June 30, 2010, including an analysis of changes in aggregate liabilities for claims and claim adjustment expenses for the six month period. Losses include claim adjustment expenses.

Unpaid claims and claim adjustment expenses at beginning of year	<u>\$ 2,315,900</u>
Claims and claim adjustment expenses	
Provision for insured events of the current fiscal year	1,480
Changes in provision for insured events of prior fiscal years	43,702
Amortization of discount	<u>108,646</u>
Total claims and claim adjustment expenses	<u>153,828</u>
Payments	
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	(147)
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>(289,481)</u>
Total payments	<u>(289,628)</u>
Total unpaid claims and claim adjustment expenses at end of the year	<u>\$ 2,180,100</u>

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

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

The following schedule represents the reconciliation of the unpaid claims liability for AccessWV at June 30, 2010, including an analysis of changes in aggregate liabilities for claim and claim adjustment expenses for the fiscal year. This is the fifth year of operation for AccessWV, a high risk health insurance program.

Unpaid claims and claim adjustment expenses at beginning of year	\$ 310
Claims and claim adjustment expenses:	
Provision for insured events of the current fiscal year	4,238
Payments:	
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	<u>(3,998)</u>
Total unpaid claims and claim adjustment expenses at end of the year	<u>\$ 550</u>

6. Deficit Funding Plan

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

In order to provide a permanent solution to address the substantial deficit in the state's workers' compensation fund and to identify sources of revenue to achieve long-term solvency of the fund, the legislature passed Senate Bill 1004 on January 29, 2005 which provided a plan for privatization of the state's workers' compensation system.

With the passage of Senate Bill 1004 a Workers' Compensation Old Fund (Old Fund) was established. Disbursements from the old fund are related to the liabilities and appropriate administrative expenses necessary for the administration of all claims, actual and incurred but not reported, for any claim with a date of injury on or before June 30, 2005.

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6. Deficit Funding Plan (Continued)

Senate Bill 1004 also established a workers' compensation debt reduction fund in the state treasury for the deposit of monies received after June 30, 2005, including certain funds designated in Code §4-11a-2(d): \$30 million to be received annually until 2025 from the tobacco master settlement agreement. On March 10, 2007, Senate Bill 185 ceased the tobacco settlement payments to the debt reduction fund and replaced those revenues with \$50.4 million dollars in annual personal income tax proceeds. These personal income tax proceeds dedicated in §4-11A-18 are in addition to the income tax proceeds already dedicated to the debt reduction fund. Other Senate Bill 1004 revenue sources currently include: Code §29-22A-10,10b: an estimated \$11 million to be received annually from the video lottery income, and Code §11-13V-4: new and additional severance taxes imposed estimated to yield approximately \$94.2 million annually, Code §11-21-96: personal income tax proceeds of approximately \$45 million annually, and Code §23-2C-3(f)(3): monthly premium surcharges to be collected for all WV employers expected to yield approximately \$46 million annually. The net proceeds from collection of these monies are to be dedicated to paying the unfunded liability in the workers' compensation fund until fully paid or paying debt service on bonds sold to raise funds to pay the unfunded liability in the workers' compensation fund.

7. Pension Plan

Plan Description. - The Insurance Commissioner contributes to the West Virginia Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board (CPRB). PERS provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 5, Article 10 of the West Virginia Code assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees. CPRB issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report can be obtained by writing to CPRB, Capitol Complex, Building 5 Room 1000, Charleston, West Virginia 25305.

Funding Policy. - Plan members are required to contribute 4.5 percent of their annual covered salary and the Insurance Commissioner was required to contribute 10.5 percent for the current fiscal year. The contribution requirements of plan members and the Insurance Commissioner are established and may be amended by the PERS Board of Trustees, subject to limitations set by the West Virginia Legislature. The Insurance Commissioner's contributions to PERS for the year ended June 30, 2010 were \$1,469 which was equal to the required contributions for the year.

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8. Commitments and Contingencies

Contingent Liability for Self-Insured Employers

An employer who has been granted self-insured status for workers' compensation insurance coverage must post security with the Insurance Commissioner for an actuarially determined amount of their liabilities incurred with dates of injury prior to July 1, 2004. Payments made for claims of employees of defaulted self-insured employers for injuries prior to July 1, 2004, will be made from the Self-Insured Security Pool established by Senate Bill 1004. The assets of the Security Pool consist of the proceeds received from the security held by the Insurance Commissioner and any necessary assessments made to active self-insured employers for the default of a self-insured employer.

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

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

Risk Management

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

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

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010
(In Thousands, Unless Otherwise Noted)

8. Commitments and Contingencies (Continued)

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

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

Premium Advance Deposits

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

9. Surplus Note Agreement

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

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010
(In Thousands, Unless Otherwise Noted)

9. Surplus Note Agreement (Continued)

From the effective date of the note until the earlier of (1) the date on which the note is repaid in full; or (2) January 1, 2009, the note was to bear interest at one and one-half percent (1.5%). From January 1, 2009, until the date on which the note is repaid in full, unpaid amounts under the note shall bear interest at a fluctuating rate per annum that is equal to the Prime Rate of interest for the period in question. For the last six months of fiscal year 2010, the interest rate charged was 3.25 percent.

In accordance with the provisions of the surplus note agreement, an actuarial valuation of the claims liabilities that BSI had assumed for dates of injury occurring between July 1, 2005, and December 31, 2005, was made. As the final step in the satisfaction of the BrickStreet surplus note obligation, the Insurance Commissioner adjusted the carrying value of the surplus note to forty three million five hundred thousand dollars (\$43,500) to reflect the results of the actuarial analysis and the true up provisions required by the note. On September 25, 2009, BrickStreet remitted the remaining surplus note payment to the State, thereby discharging their obligation in its entirety.

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

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

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

The rows of the table are defined as follows:

- (1) This line shows the total of each fiscal year's total income.
- (2) This line shows each fiscal year's other operating costs.
- (3) This line shows incurred claims (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
- (4) This section of 10 rows shows the cumulative amounts paid as of the end of successive years for each policy year.
- (5) This section of 10 rows shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, emergence of new claims not previously known, as well as amortization of discount.
- (6) This line compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought.

As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

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

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
Supplemental Revenue and Reserve Development Information
Workers' Compensation Fund, Coal Workers' Pneumoconiosis Fund,
Uninsured Employer Fund, Self Insured Funds
(Unaudited)
As of June 30, 2010
(Dollars in Millions)

Fiscal and Policy Year

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Operating Revenues	\$ 597.2	\$ 600.2	\$ 568.7	\$ 678.8	\$ 736.0	\$ 194.0	\$ 262.2	\$ 282.7	\$ 279.8	\$ 256.1
Investment income (loss)	<u>32.1</u>	<u>(23.7)</u>	<u>47.3</u>	<u>23.8</u>	<u>74.1</u>	<u>4.4</u>	<u>109.0</u>	<u>(5.2)</u>	<u>(89.2)</u>	<u>129.9</u>
Total income (1)	629.3	576.5	616.0	702.6	810.1	198.4	371.2	277.5	190.6	386.0
Other expenses (2)	51.4	59.5	61.2	66.0	73.8	51.3	23.5	24.6	20.0	27.2
Original incurred loss (3)	261.5	428.7	410.4	352.4	305.8	0.6	2.7	0.7	1.0	1.5
Cumulative payments (4):										
Year 1	82.0	88.7	87.1	70.9	72.6	0.0	0.2	0.1	0.1	0.1
Year 2	207.6	220.5	194.1	152.0	141.7	0.4	0.7	0.3	0.2	
Year 3	283.8	291.2	244.1	181.4	169.5	0.6	1.1	0.4		
Year 4	327.6	327.0	265.1	196.6	180.1	0.9	1.3			
Year 5	352.7	343.3	278.1	203.7	187.2	1.2				
Year 6	365.3	353.9	286.1	211.5	194.5					
Year 7	374.7	361.2	295.4	218.4						
Year 8	381.3	369.3	304.0							
Year 9	388.7	375.7								
Year 10	397.2									
Re-estimated incurred claims and expenses (5):										
Year 1	261.5	428.7	410.4	352.4	305.8	0.6	2.7	0.7	1.0	1.5
Year 2	421.4	488.5	470.3	315.6	301.3	3.1	1.9	0.6	0.6	
Year 3	488.4	512.5	385.4	305.9	277.4	3.2	3.8	0.5		
Year 4	496.8	429.2	378.9	301.9	243.7	3.8	4.7			
Year 5	454.6	439.0	370.9	261.7	247.0	3.6				
Year 6	445.6	423.1	337.7	267.1	252.9					
Year 7	437.3	412.6	352.8	275.5						
Year 8	431.6	425.0	371.4							
Year 9	446.0	439.2								
Year 10	465.4									
Increase (decrease) in estimated incurred claims and expense from end of policy year (6)	203.9	10.5	(39.0)	(76.9)	(52.9)	3.0	2.0	(0.2)	(0.4)	-

See accompanying independent auditors' report

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

The table below presents Old Fund, CWPF, Uninsured Employers Fund, and Self Insured Funds changes in claims liabilities discounted at 5.0 percent as of June 30, 2010. Losses include claim adjustment expenses.

	June 30, 2010				
	<u>WCF</u>	<u>CWPF</u>	<u>UEF</u>	<u>Self Insured Funds</u>	<u>Total</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 2,163,500	\$ 147,900	\$ 4,100	\$ 400	\$ 2,315,900
Claims and claim adjustment expenses					
Provision for insured events of the current fiscal year	-	-	1,480	-	1,480
Changes in provision for insured events of prior fiscal years	36,874	6,429	204	195	43,702
Amortization of discount	<u>101,286</u>	<u>7,149</u>	<u>194</u>	<u>17</u>	<u>108,646</u>
Total claims and claim adjustment expenses	<u>138,160</u>	<u>13,578</u>	<u>1,878</u>	<u>212</u>	<u>153,828</u>
Payments					
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	-	-	(147)	-	(147)
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>(278,960)</u>	<u>(9,978)</u>	<u>(431)</u>	<u>(112)</u>	<u>(289,481)</u>
Total payments	<u>(278,960)</u>	<u>(9,978)</u>	<u>(578)</u>	<u>(112)</u>	<u>(289,628)</u>
Total unpaid claims and claim adjustment expenses at end of the year	<u>\$ 2,022,700</u>	<u>\$ 151,500</u>	<u>\$ 5,400</u>	<u>\$ 500</u>	<u>\$ 2,180,100</u>

See accompanying independent auditors' report.

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
Supplemental Revenue and Reserve Development Information
Access WV
(Unaudited)
As of June 30, 2010
(Dollars in Thousands)

	Fiscal and Policy Year		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
Premium	\$ 3,121	\$ 3,893	\$ 4,619
Investment Income	<u>358</u>	<u>128</u>	<u>(18)</u>
Total income (1)	3,479	4,021	4,601
Other expenses (2)	328	365	325
Original incurred loss (3)	2,696	3,165	4,238
Fiscal Year payments (4):	2,676	3,155	3,998

See accompanying independent auditors' report.

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

The table below presents AccessWV changes in claims liabilities as of June 30, 2010. Losses include claim adjustment expenses.

	June 30, 2010
	AccessWV
Unpaid claims and claim adjustment expenses at beginning of year	\$ 310
Claims and claim adjustment expenses	
Provision for insured events of the current fiscal year	4,238
Payments	
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	(3,998)
Total unpaid claims and claim adjustment expenses at end of the year	\$ 550

See accompanying independent auditors' report.

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
Required Supplementary Information
Budgetary Comparison Schedule
Operating Fund
Year Ended June 30, 2010
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	
Budgetary Fund Balance, July 1				
Resources (inflows):				
Beginning Balance 07/01/09	\$ 62,070	\$ 62,070	\$ 26,277	\$ (35,793)
2010 FY Gross Revenue	-	-	42,692	42,692
Revenue Refunds	-	-	(28)	(28)
13 th Month Expenditures - Last PFY	-	-	(977)	(977)
Other Transactions	-	-	(5)	(5)
Estimated Revenue FY 2010	<u>72,220</u>	<u>72,220</u>	<u>-</u>	<u>(72,220)</u>
Amounts available for appropriation	<u>134,290</u>	<u>134,290</u>	<u>67,959</u>	<u>(66,331)</u>
Charges to appropriations (outflows)				
Personal Services	17,663	17,291	14,103	3,188
Employee Benefits	7,200	7,125	4,444	2,681
Contractual and Professional	4,291	4,291	2,299	1,992
Claims	58	58	52	6
Fund Transfers	800	800	286	514
Other Expenses	<u>10,959</u>	<u>10,959</u>	<u>6,827</u>	<u>4,132</u>
Total Charges to Appropriations	<u>40,971</u>	<u>40,524</u>	<u>28,011</u>	<u>12,513</u>
Budgetary Fund Balance, June 30, 2010	<u>\$ 93,319</u>	<u>\$ 93,766</u>	<u>\$ 39,948</u>	<u>\$ (53,818)</u>

See accompanying independent auditors' report.

OTHER FINANCIAL INFORMATION



INDEPENDENT AUDITORS' REPORT ON
OTHER FINANCIAL INFORMATION

West Virginia Offices of the Insurance Commissioner
Charleston, West Virginia

We have audited and reported separately herein on the basic financial statements and required supplementary information of the West Virginia Offices of the Insurance Commissioner as of and for the year ended June 30, 2010. Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the West Virginia Offices of the Insurance Commissioner. The information on pages 57 through 64 is presented for purposes of additional analysis of the financial statements. The Workers' Compensation information on pages 57 through 59 has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The budgetary comparison schedules on pages 60 through 64 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.

A handwritten signature in cursive script that reads 'Suttle & Stalnaker, PLLC'.

Charleston, West Virginia
November 10, 2010

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
SCHEDULE OF NET ASSETS
WORKERS' COMPENSATION INFORMATION
June 30, 2010
(In Thousands)

	<u>WC Old Fund</u> <u>Debt Reduction</u>	<u>Coal Workers'</u> <u>Pneumoconiosis</u>	<u>Uninsured</u> <u>Fund</u>	<u>Self-Insured</u> <u>Funds</u>	<u>Total</u>
Assets:					
Current Assets					
Cash and Cash Equivalents	\$ 892,466	\$ 244,229	\$ 8,908	\$ 8,287	\$ 1,153,890
Receivables, Net:					
Statutory Allocations	9,070	-	-	-	9,070
Assessments	-	-	70	40	110
Employer Surcharge	10,337	-	-	-	10,337
Premiums	1,186	-	-	-	1,186
Other	<u>66</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66</u>
Total Current Assets	<u>913,125</u>	<u>244,229</u>	<u>8,978</u>	<u>8,327</u>	<u>1,174,659</u>
Total Assets	<u>913,125</u>	<u>244,229</u>	<u>8,978</u>	<u>8,327</u>	<u>1,174,659</u>
Liabilities:					
Current Liabilities:					
Estimated Liability for Unpaid Claims and Claim Adjustment Expense	321,100	10,900	500	-	332,500
OPEB Liability	562	-	-	-	562
Accrued Expenses and Other Liabilities	<u>891</u>	<u>-</u>	<u>-</u>	<u>67</u>	<u>958</u>
Total Current Liabilities	<u>322,553</u>	<u>10,900</u>	<u>500</u>	<u>67</u>	<u>334,020</u>
Noncurrent Liabilities:					
Estimated Liability for Unpaid Claims and Claim Adjustment Expense	<u>1,701,600</u>	<u>140,600</u>	<u>4,900</u>	<u>500</u>	<u>1,847,600</u>
Total Noncurrent Liabilities	<u>1,701,600</u>	<u>140,600</u>	<u>4,900</u>	<u>500</u>	<u>1,847,600</u>
Total Liabilities	<u>2,024,153</u>	<u>151,500</u>	<u>5,400</u>	<u>567</u>	<u>2,181,620</u>
Net Assets:					
Restricted for:					
Coal Workers' Pneumoconiosis	-	92,729	-	-	92,729
Uninsured Fund	-	-	3,578	-	3,578
Self-Insured Fund	-	-	-	7,760	7,760
Unrestricted (Deficit)	<u>(1,111,028)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,111,028)</u>
Total Net Assets (Deficit)	<u>\$ (1,111,028)</u>	<u>\$ 92,729</u>	<u>\$ 3,578</u>	<u>\$ 7,760</u>	<u>\$ (1,006,961)</u>

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS
WORKERS' COMPENSATION INFORMATION
Year Ended June 30, 2010
(In Thousands)

	<u>WC Old Fund Debt Reduction</u>	<u>Coal Workers' Pneumoconiosis</u>	<u>Uninsured Fund</u>	<u>Self-Insured Funds</u>	<u>Total</u>
Operating Revenues					
Statutory Allocations	\$ 198,410	\$ -	\$ -	\$ -	\$ 198,410
Assessments	-	-	944	-	944
Employer Surcharge	47,591	-	-	1,497	49,088
Net Premium Revenue	561	1	20	-	582
Other Operating Revenue	<u>119</u>	<u>-</u>	<u>(26)</u>	<u>-</u>	<u>93</u>
Total Operating Revenue	<u>246,681</u>	<u>1</u>	<u>938</u>	<u>1,497</u>	<u>249,117</u>
Operating Expenses and Claims Provision					
Claims and Claim Adjustment Provision (See Note 5)	138,160	13,578	1,878	212	153,828
General and Administration	<u>20,040</u>	<u>35</u>	<u>84</u>	<u>52</u>	<u>20,211</u>
Total Operating Expenses and Claims Provision	<u>158,200</u>	<u>13,613</u>	<u>1,962</u>	<u>264</u>	<u>174,039</u>
Operating Income (Loss)	<u>88,481</u>	<u>(13,612)</u>	<u>(1,024)</u>	<u>1,233</u>	<u>75,078</u>
Nonoperating Revenues					
Investment Earnings	<u>100,074</u>	<u>29,839</u>	<u>10</u>	<u>9</u>	<u>129,932</u>
Total Nonoperating Revenues	<u>100,074</u>	<u>29,839</u>	<u>10</u>	<u>9</u>	<u>129,932</u>
Change in Net Assets (Deficit)	188,555	16,227	(1,014)	1,242	205,010
Total Net Assets (Deficit) - Beginning of Year	<u>(1,299,583)</u>	<u>76,502</u>	<u>4,592</u>	<u>6,518</u>	<u>(1,211,971)</u>
Total Net Assets (Deficit) - End of Year	<u>\$ (1,111,028)</u>	<u>\$ 92,729</u>	<u>\$ 3,578</u>	<u>\$ 7,760</u>	<u>\$ (1,006,961)</u>

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
SCHEDULE OF CASH FLOWS
WORKERS' COMPENSATION INFORMATION
Year Ended June 30, 2010
(In Thousands)

	WC Old Fund Debt <u>Reduction</u>	Coal Workers' Pneumoconiosis <u>Pneumoconiosis</u>	Uninsured <u>Fund</u>	Self-Insured <u>Funds</u>	<u>Total</u>
Cash Flows from Operating Activities					
Receipts from Statutory Allocations, Fees and Assessments	\$ 244,130	\$ -	\$ 992	\$ -	\$ 245,122
Receipts from Employers	1,734	1	(20)	1,457	3,172
Payments to Claimants and Providers	(278,829)	(9,978)	(655)	(97)	(289,559)
Payments to Employees	398	-	-	-	398
Payments to Suppliers	(19,360)	(38)	(9)	(53)	(19,460)
Net Cash Provided (Used) by Operating Activities	<u>(51,927)</u>	<u>(10,015)</u>	<u>308</u>	<u>1,307</u>	<u>(60,327)</u>
Cash Flows from Investing Activities					
BrickStreet Note Receivable Principal Payments	43,500	-	-	-	43,500
Investment Earnings	100,074	29,839	10	9	129,932
Net Cash Provided (Used) by Investing Activities	<u>143,574</u>	<u>29,839</u>	<u>10</u>	<u>9</u>	<u>173,432</u>
Net Increase in Cash and Cash Equivalents	91,647	19,824	318	1,316	113,105
Cash and Cash Equivalents - Beginning of Year	<u>800,819</u>	<u>224,405</u>	<u>8,590</u>	<u>6,971</u>	<u>1,040,785</u>
Cash and Cash Equivalents - End of Year	<u>\$ 892,466</u>	<u>\$ 244,229</u>	<u>\$ 8,908</u>	<u>\$ 8,287</u>	<u>\$ 1,153,890</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating Income (Loss)	\$ 88,481	\$ (13,612)	\$ (1,024)	\$ 1,233	\$ 75,078
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Net change in assets and liabilities					
Receivables, net	(817)	-	34	(40)	(823)
Estimated liability for claims and claim adjustment expenses	(140,800)	3,600	1,300	100	(135,800)
Accrued expenses and other liabilities	1,209	(3)	(2)	14	1,218
Net cash provided (used) by operating activities	<u>\$ (51,927)</u>	<u>\$ (10,015)</u>	<u>\$ 308</u>	<u>\$ 1,307</u>	<u>\$ (60,327)</u>

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
Other Financial Information
Budgetary Comparison Schedule
Old Fund/Debt Reduction
Year Ended June 30, 2010
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	
Budgetary Fund Balance, July 1				
Resources (inflows):				
Beginning Balance 07/01/09	\$ 737,505	\$ 737,505	\$ 124,893	\$ (612,612)
2010 FY Gross Revenue	-	-	540,232	540,232
Revenue Refunds	-	-	(315)	(315)
13 th Month Expenditures - Last PFY	-	-	(1,722)	(1,722)
Other Transactions	-	-	(216,420)	(216,420)
Estimated Revenue FY 2010	<u>843,088</u>	<u>843,088</u>	<u>-</u>	<u>(843,088)</u>
Amounts available for appropriation	<u>1,580,593</u>	<u>1,580,593</u>	<u>446,668</u>	<u>(1,133,925)</u>
Charges to appropriations (outflows)				
Employee Benefits Expense	-	-	76	(76)
Contractual and Professional	25,808	25,808	18,886	6,922
Claims	523,995	523,995	278,965	245,030
Fund Transfers	288,088	288,088	148,189	139,899
Other Expenses	<u>197</u>	<u>197</u>	<u>12</u>	<u>185</u>
Total Charges to Appropriations	<u>838,088</u>	<u>838,088</u>	<u>446,128</u>	<u>391,960</u>
Budgetary Fund Balance, June 30, 2010	<u>\$ 742,505</u>	<u>\$ 742,505</u>	<u>\$ 540</u>	<u>\$ (741,965)</u>

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
Other Financial Information
Budgetary Comparison Schedule
Coal Workers' Pneumoconiosis
Year Ended June 30, 2010
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	
Budgetary Fund Balance, July 1				
Resources (inflows):				
Beginning Balance 07/01/09	\$ 279,695	\$ 279,695	\$ 51	\$ (279,644)
2010 FY Gross Revenue	-	-	32,225	32,225
Other Transactions	-	-	(22,222)	(22,222)
Estimated Revenue FY 2010	<u>12,000</u>	<u>12,000</u>	<u>-</u>	<u>(12,000)</u>
Amounts available for appropriation	<u>291,695</u>	<u>291,695</u>	<u>10,054</u>	<u>(281,641)</u>
Charges to appropriations (outflows)				
Contractual and Professional	-	-	20	(20)
Claims Expenses	12,000	12,000	9,978	2,022
Other Expenses	<u>-</u>	<u>-</u>	<u>19</u>	<u>(19)</u>
Total Charges to Appropriations	<u>12,000</u>	<u>12,000</u>	<u>10,017</u>	<u>1,983</u>
Budgetary Fund Balance, June 30, 2010	<u>\$ 279,695</u>	<u>\$ 279,695</u>	<u>\$ 37</u>	<u>\$ (279,658)</u>

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
Other Financial Information
Budgetary Comparison Schedule
Workers' Compensation Uninsured Employers Fund
Year Ended June 30, 2010
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u> <u>Basis</u>	
Budgetary Fund Balance, July 1				
Resources (inflows):				
Beginning Balance 07/01/09	\$ 8,164	\$ 8,164	\$ 53	\$ (8,111)
2010 FY Gross Revenue	-	-	947	947
Revenue Refunds	-	-	(43)	(43)
Other Transactions	-	-	(316)	(316)
Estimated Revenue FY 2010	<u>27,000</u>	<u>27,000</u>	<u>-</u>	<u>(27,000)</u>
Amounts available for appropriation	<u>35,164</u>	<u>35,164</u>	<u>641</u>	<u>(34,523)</u>
Charges to appropriations (outflows)				
Contractual and Professional	1,350	1,350	9	1,341
Claims	<u>25,650</u>	<u>25,650</u>	<u>578</u>	<u>25,072</u>
Total Charges to Appropriations	<u>27,000</u>	<u>27,000</u>	<u>587</u>	<u>26,413</u>
Budgetary Fund Balance, June 30, 2010	<u><u>\$ 8,164</u></u>	<u><u>\$ 8,164</u></u>	<u><u>\$ 54</u></u>	<u><u>\$ (8,110)</u></u>

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
Other Financial Information
Budgetary Comparison Schedule
Self Insureds
Year Ended June 30, 2010
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	
Budgetary Fund Balance, July 1				
Resources (inflows):				
Beginning Balance 07/01/09	\$ 5,178	\$ 5,178	\$ 177	\$ (5,001)
2010 FY Gross Revenue	-	-	1,466	1,466
Other Transactions	-	-	(1,273)	(1,273)
Estimated Revenue FY 2010	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>(15,000)</u>
Amounts available for appropriation	<u>20,178</u>	<u>20,178</u>	<u>370</u>	<u>(19,808)</u>
Charges to appropriations (outflows)				
Contractual and Professional	750	750	44	706
Claims	<u>14,250</u>	<u>14,250</u>	<u>105</u>	<u>14,145</u>
Total Charges to Appropriations	<u>15,000</u>	<u>15,000</u>	<u>149</u>	<u>14,851</u>
Budgetary Fund Balance, June 30, 2010	<u>\$ 5,178</u>	<u>\$ 5,178</u>	<u>\$ 221</u>	<u>\$ (4,957)</u>

WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
Other Financial Information
Budgetary Comparison Schedule
Access WV
Year Ended June 30, 2010
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	
Budgetary Fund Balance, July 1				
Resources (inflows):				
Beginning Balance 07/01/09	\$ 7,197	\$ 7,197	\$ 82	\$ (7,115)
2010 FY Gross Revenue	-	-	5,786	5,786
Revenue Refunds	-	-	(23)	(23)
Other Transactions	-	-	(1,497)	(1,497)
Estimated Revenue FY 2010	<u>13,200</u>	<u>13,200</u>	<u>-</u>	<u>(13,200)</u>
Amounts available for appropriation	<u>20,397</u>	<u>20,397</u>	<u>4,348</u>	<u>(16,049)</u>
Charges to appropriations (outflows)				
Personal Services	205	205	30	175
Employee Benefits	75	75	12	63
Contractual and Professional	3,151	3,151	253	2,898
Claims	8,592	8,592	3,932	4,660
Other Expenses	<u>979</u>	<u>979</u>	<u>14</u>	<u>965</u>
Total Charges to Appropriations	<u>13,002</u>	<u>13,002</u>	<u>4,241</u>	<u>8,761</u>
Budgetary Fund Balance, June 30, 2010	<u>\$ 7,395</u>	<u>\$ 7,395</u>	<u>\$ 107</u>	<u>\$ (7,288)</u>