

West Virginia Offices of the Insurance Commissioner

(A Special Revenue Fund and Enterprise Funds of the State of West Virginia)

Financial Statements

Year Ended June 30, 2015

Table of Contents

Independent Auditors’ Report	1
Management’s Discussion and Analysis	3
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position.....	9
Statement of Activities	10
Fund Financial Statements	
Statement of Net Position - Governmental Fund.....	11
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund.....	12
Statement of Net Position (Deficit) - Proprietary Funds	13
Statement of Revenues, Expenses and Changes in Fund Net Position (Deficit) - Proprietary Funds.....	14
Statement of Cash Flows - Proprietary Funds	15
Notes to Financial Statements (In Thousands)	16
Required Supplementary Information	
Supplementary Revenue and Reserve Development Information – Workers’ Compensation Fund, Coal Workers’ Pneumoconiosis Fund, Self Insured Funds, Uninsured Fund.....	44
Supplementary Reconciliation of Claims Liabilities by Type of Contract Information – Workers’ Compensation Fund	46
Supplementary Revenue and Reserve Development Information - AccessWV	47
Supplementary Reconciliation of Claims Liabilities by Type of Contract Information - AccessWV	48
Supplementary Revenue and Reserve Development Information - State Entities Workers’ Compensation Program	49
Supplementary Reconciliation of Claims Liabilities by Type of Contract Information - State Entities Workers’ Compensation Program	50
Supplementary Schedule of Proportionate Share of the Net Pension Liability – PERS	51
Supplementary Schedule of Contributions - PERS.....	52
Supplementary Budgetary Comparison Schedule - Operating Fund.....	53

West Virginia Offices of the Insurance Commissioner

Supplementary Budgetary Comparison Schedule - Budget-to-GAAP Reconciliation -
Operating Fund..... 54

Other Financial Information

Schedule of Net Position (Deficit) - Workers' Compensation Information..... 55

Schedule of Revenues, Expenses and Change in Fund Net Position (Deficit) - Workers'
Compensation Information 56

Schedule of Cash Flows - Workers' Compensation Information 57

**Independent Auditor's Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial Statements Performed
In Accordance With *Government Auditing Standards* 58**

Independent Auditors' Report

West Virginia Offices of the Insurance Commissioner
Charleston, West Virginia

Report on the Financial Statements

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, a special revenue fund and enterprise funds of the State of West Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the West Virginia Offices of the Insurance Commissioner, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

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

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

Opinions

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, 2015, 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.

New Accounting Pronouncements

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the West Virginia Offices of the Insurance Commissioner adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As a result of adopting these standards, the West Virginia Offices of the Insurance Commissioner restated net position as of July 1, 2014, to record the net pension liability.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8, the supplementary information on pages 44 through 52, and budgetary comparison information on pages 53 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the West Virginia Offices of the Insurance Commissioner's basic financial statements as a whole. The Workers' Compensation other financial information on pages 55 through 57 is presented for purposes of additional analysis of the financial statements and is not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this other financial information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 14, 2015, on our consideration of the West Virginia Offices of the Insurance Commissioner's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the West Virginia Offices of the Insurance Commissioner's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

**Charleston, West Virginia
October 14, 2015**

Management's Discussion and Analysis

Management's Discussion and Analysis

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, 2015 and June 30, 2014. 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 insurance market, the West Virginia Offices of 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 West Virginia Offices 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), the State Entities Workers' Compensation Program Fund (SEWC) and 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 position 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.

Government-Wide Statements

The statement of net position (deficit) 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 position (deficit) - 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:

- 1) Governmental activities - These are the activities that are necessary for the government to function and meet its intended purpose. In the financial statements of the West Virginia Offices of the Insurance Commissioner, the governmental funds include the main operating fund of the entity, which is primarily funded through fees and assessments.
- 2) 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 Workers' Compensation related funds, the State Entities Worker's Compensation Fund and AccessWV.
- 3) Component units - The West Virginia Offices of the Insurance Commissioner has no component units. However, the operating governmental fund of the West Virginia Offices of the Insurance Commissioner is a special revenue fund and its proprietary funds are enterprise funds of the State of West Virginia.

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 governments use to keep track of specific sources of funding and spending for particular purposes. The West Virginia State Legislature has established these funds to control and manage money for the specific purposes stated in Chapter 23 of the West Virginia 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:

- 1) 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 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.
- 2) 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, SEWC, and AccessWV.

Financial Highlights (In thousands)

- The overall financial position of the West Virginia Offices of the Insurance Commissioner improved during fiscal year 2015. There is no longer a deficit on an agency wide basis, primarily as a result of the decrease in the Workers' Compensation Old Fund deficit. During fiscal year 2015, the Workers' Compensation Old Fund deficit decreased by \$259,855. 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. This marks the ninth consecutive year of deficit reduction progress for the Old Fund. As of June 30, 2015, the Old Fund's deficit was \$90,454, and the West Virginia Offices of the Insurance Commissioner's total net position was \$112,186.
- The West Virginia Offices of the Insurance Commissioner's total assets increased by \$90,454 during the year, while the agency's total liabilities decreased by \$149,398. The primary factor contributing to the increase in assets is the stability of the stream of transferred revenues and the investment earnings on existing assets, while the primary factor contributing to the decrease in liabilities is the \$164,600 reduction of the Workers' Compensation Old Fund estimated liability for unpaid claims and claims adjustment expense. The West Virginia Offices of the Insurance Commissioner experienced a decrease of \$10,782 in the fair market value of its investments held during fiscal year 2015. This change in fair market value, when combined with the yearly investment earnings of \$25,733, yield a net investment income of \$14,951 for fiscal year 2015. The total change in net position for the year ended June 30, 2015, was \$246,708.
- The West Virginia Offices of the Insurance Commissioner disbursed \$16,700 from the West Virginia Offices of the Insurance Commissioner's Operating Fund to the State's General Revenue Fund on April 3, 2015, in accordance with the provisions of House Bill 2769 as enacted by the Legislature on March 14, 2015.
- During fiscal year 2014, the West Virginia Offices of the Insurance Commissioner executed activities related to the implementation of the 2010 Federal Patient Protection and Affordable Care Act (commonly known as the ACA). The West Virginia Offices of the Insurance Commissioner's involvement with the implementation of the ACA predominantly focused on those aspects of the ACA that specifically impact insurance. The West Virginia Offices of the Insurance Commissioner received \$5,061 and \$6,246 in federal grants during fiscal year 2015 and 2014, respectively, in order to accomplish the activities related to implementation of the ACA.
- AccessWV, the State's high-risk health insurance pool, ceased to offer insurance coverage on March 31, 2014. During fiscal year 2015, the West Virginia Offices of the Insurance Commissioner continued to manage the remaining assets and paid all residual claims attributable to the program's operations. The remaining assets of the AccessWV health insurance pool will continue to be held by the Offices of the Insurance Commissioner until legislation is passed authorizing the Commissioner to redirect or transfer the assets.
- Fiscal Year 2015 marked the fourth year of the West Virginia Offices of the Insurance Commissioner's administration of the SEWC, a program established to provide workers' compensation coverage for state government entities and their employees. During the 2011 legislative session, §33-2-21a of the Code of West Virginia was amended by adding a new section to provide a means of managing workers' compensation coverage for persons directly employed by the State of West Virginia. The SEWC is a public entity risk pool functioning as an insurance purchasing pool. On October 1, 2011, the SEWC entered into a high deductible insurance program with Zurich American Insurance Company (Zurich), and established a Loss Reserve Fund to provide for the payment of losses up to the deductible amount. Any losses exceeding the deductible amount are the responsibility of Zurich. As of June 30, 2015, the West Virginia Offices of the Insurance Commissioner had accumulated a Loss Reserve Fund balance of \$17,836.

West Virginia Offices of the Insurance Commissioner
Financial Highlights
(In thousands)

- The Coal Worker's Pneumoconiosis Fund experienced a decline in net position of \$13,175 during fiscal year 2015. The decline was attributable to the combined effects of a \$20,703 decrease in investment earnings during FY 2015 as well as adverse claims development that increased the estimated liabilities by \$5,000. The increased liability estimate for the CWP Fund is a result of certain provisions included in the ACA, which made significant changes to the federal black lung act and the implementation of federal rules as the result of the legislation.
- On July 1, 2014, the Offices of the Insurance Commissioner, as well as all other state government agencies transitioned to a new statewide accounting system. The WV Our Advanced Solution with Integrated System (wvOASIS) is an ERP system offering full double entry accounting capabilities. The wvOASIS replaces the WV Financial Information Management System (WVFIMS), which served as the state's accounting system from October 1, 1993 through June 30, 2014. The fiscal year 2015 financial statements are the first statements prepared since the transition of accounting systems.
- Effective July 1, 2014 WVOIC, along with other State agencies, adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. These statements reclassified some items previously reported as expenses as deferred outflows and now requires the WVOIC to record the net pension liability and a more comprehensive measure of pension expense. A cumulative effect adjustment of \$7,078 has been recorded to decrease net position previously reported at the beginning of fiscal year 2015 to reflect the adoption of these new accounting pronouncements. Further, as a result of the adoption, government-wide Statement of Net Position as of June 30, 2015, reflects a net pension liability of \$3,484, and related deferred outflows of resources of \$1,628 and deferred inflows of resources of \$3,919 related to pension.

**West Virginia Offices of the Insurance Commissioner
Management's Discussion and Analysis
June 30, 2015 and 2014
(In Thousands)**

The following tables summarize the financial position and results of operations of the West Virginia Offices of the Insurance Commissioner for the years ended June 30, 2015 and 2014.

Statements of Activities and Changes in Net Position (Deficit)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
ASSETS						
Current Assets	\$ 52,457	\$ 54,748	\$ 1,661,706	\$ 1,570,831	\$ 1,714,163	\$ 1,625,579
Noncurrent Assets	753	733	-	-	753	733
Deferred Outflows of Resources	1,628	-	-	-	1,628	-
Total Assets and Deferred Outflows of Resources	<u>54,838</u>	<u>55,481</u>	<u>1,661,706</u>	<u>1,570,831</u>	<u>1,716,544</u>	<u>1,626,312</u>
LIABILITIES						
Current Liabilities	12,183	11,845	190,634	215,867	202,817	227,712
Long-Term Liabilities	3,722	244	1,393,900	1,525,800	1,397,622	1,526,044
Deferred Inflows of Resources	3,919	-	-	-	3,919	-
Total Liabilities and Deferred Inflows of Resources	<u>19,824</u>	<u>12,089</u>	<u>1,584,534</u>	<u>1,741,667</u>	<u>1,604,358</u>	<u>1,753,756</u>
Net Position						
Invested in Capital Assets						
Net of Related Debt	489	733	-	-	489	733
Restricted	-	-	167,626	179,473	167,626	179,473
Unrestricted (Deficit)	34,525	42,659	(90,454)	(350,309)	(55,929)	(307,650)
Total Net Position (Deficit)	<u>\$ 35,014</u>	<u>\$ 43,392</u>	<u>\$ 77,172</u>	<u>\$ (170,836)</u>	<u>\$ 112,186</u>	<u>\$ (127,444)</u>

**West Virginia Offices of the Insurance Commissioner
Management's Discussion and Analysis
For the Years Ended June 30, 2015 and 2014
(In Thousands)**

Statements of Activities and Changes in Net Position (Deficit)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues						
Charges for Services	\$ 43,594	\$ 45,461	\$ 59,809	\$ 64,806	\$ 103,403	\$ 110,267
Total Operating Revenues	<u>43,594</u>	<u>45,461</u>	<u>59,809</u>	<u>64,806</u>	<u>103,403</u>	<u>110,267</u>
Expenses						
Program Expenses						
Workers' Compensation	-	-	44,540	129,139	44,540	129,139
AccessWV	-	-	(11)	7,209	(11)	7,209
State Entities Workers' Compensation Program Fund	-	-	13,508	11,286	13,508	11,286
General Government	<u>28,164</u>	<u>32,823</u>	<u>-</u>	<u>-</u>	<u>28,164</u>	<u>32,823</u>
Total Operating Expenses	<u>28,164</u>	<u>32,823</u>	<u>58,037</u>	<u>147,634</u>	<u>86,201</u>	<u>180,457</u>
Operating Income (Loss)	<u>15,430</u>	<u>12,638</u>	<u>1,772</u>	<u>(82,828)</u>	<u>17,202</u>	<u>(70,190)</u>
Nonoperating Revenues						
Investment Earnings	4	4	14,947	125,036	14,951	125,040
Lottery Revenue	-	-	11,000	11,000	11,000	11,000
Personal Income Tax	-	-	95,400	95,400	95,400	95,400
Severance Tax	-	-	124,855	109,520	124,855	109,520
Total Nonoperating Revenues	<u>4</u>	<u>4</u>	<u>246,202</u>	<u>340,956</u>	<u>246,206</u>	<u>340,960</u>
Change in Net Position Before Reappropriations/Interfund Transfers	15,434	12,642	247,974	258,128	263,408	270,770
Reappropriation to the State of West Virginia General Fund	(16,700)	(10,000)	-	-	(16,700)	(10,000)
Interfund Transfers	<u>(34)</u>	<u>-</u>	<u>34</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position (Deficit)	<u>(1,300)</u>	<u>2,642</u>	<u>248,008</u>	<u>258,128</u>	<u>246,708</u>	<u>260,770</u>
Net Position (Deficit), Beginning of Year, restated	<u>36,314</u>	<u>40,750</u>	<u>(170,836)</u>	<u>(428,964)</u>	<u>(134,522)</u>	<u>(388,214)</u>
Net Position (Deficit), End of Year	<u>\$ 35,014</u>	<u>\$ 43,392</u>	<u>\$ 77,172</u>	<u>\$ (170,836)</u>	<u>\$ 112,186</u>	<u>\$ (127,444)</u>

Financial Statements

West Virginia Offices of the Insurance Commissioner
Statement of Net Position
June 30, 2015
(In Thousands)

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 46,510	\$ 1,622,042	\$ 1,668,552
Receivables, Net:			
Statutory Allocations	-	10,897	10,897
Assessments	938	62	1,000
Employer Surcharge	4,308	9,008	13,316
Premiums	-	10	10
Other	701	-	701
Prepaid Assets	-	1,851	1,851
Loss Reserve Fund	-	17,836	17,836
Total Current Assets	<u>52,457</u>	<u>1,661,706</u>	<u>1,714,163</u>
Noncurrent Assets			
Other Receivables	264	-	264
Capital Assets, Net	489	-	489
Total Noncurrent Assets	<u>753</u>	<u>-</u>	<u>753</u>
Total Assets	<u>53,210</u>	<u>1,661,706</u>	<u>1,714,916</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to pension	1,628	-	1,628
Total Deferred Outflows of Resources	<u>1,628</u>	<u>-</u>	<u>1,628</u>
LIABILITIES			
Current Liabilities			
Estimated Liability for Unpaid Claims and Claim			
Adjustment Expense	-	189,200	189,200
Compensated Absences	704	-	704
Accrued Expenses and Other Liabilities	2,156	1,434	3,590
OPEB Liability	9,323	-	9,323
Total Current Liabilities	<u>12,183</u>	<u>190,634</u>	<u>202,817</u>
Noncurrent Liabilities			
Estimated Liability for Unpaid Claims and Claim			
Adjustment Expense	-	1,393,900	1,393,900
Net Pension Liability	3,484	-	3,484
Compensated Absences	238	-	238
Total Noncurrent Liabilities	<u>3,722</u>	<u>1,393,900</u>	<u>1,397,622</u>
Total Liabilities	<u>15,905</u>	<u>1,584,534</u>	<u>1,600,439</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pension	3,919	-	3,919
Total Deferred Inflows of Resources	<u>3,919</u>	<u>-</u>	<u>3,919</u>
Net Position			
Invested in Capital Assets, Net of Related Debt	489	-	489
Restricted for:			
Coal Workers' Pneumoconiosis	-	111,553	111,553
Uninsured Fund	-	10,557	10,557
Self-Insured Funds	-	12,507	12,507
AccessWV	-	4,800	4,800
State Entities Workers' Compensation			
Program Fund	-	28,209	28,209
Unrestricted (Deficit)	<u>34,525</u>	<u>(90,454)</u>	<u>(55,929)</u>
Total Net Position	<u>\$ 35,014</u>	<u>\$ 77,172</u>	<u>\$ 112,186</u>

See accompanying notes.

West Virginia Offices of the Insurance Commissioner
Statement of Activities
For the Fiscal Year Ended June 30, 2015
(In Thousands)

Functions/Programs	Expenses and Claims Provisions	Program Revenues	Net (Expense) Revenue and Changes in Net Position		Totals
		Charges for Services	Governmental Activities	Business-Type Activities	
Primary Government					
Governmental Activities					
General Government	\$ 27,879	\$ 43,594	\$ 15,715	\$ -	\$ 15,715
Depreciation, Unallocated	285	-	(285)	-	(285)
Total Governmental Activities	<u>28,164</u>	<u>43,594</u>	<u>15,430</u>	<u>-</u>	<u>15,430</u>
Business-type Activities					
Workers' Compensation	44,540	46,307	-	1,767	1,767
AccessWV	(11)	2	-	13	13
State Entities Workers'					
Compensation Program Fund	<u>13,508</u>	<u>13,500</u>	<u>-</u>	<u>(8)</u>	<u>(8)</u>
Total Business-Type Activities	<u>58,037</u>	<u>59,809</u>	<u>-</u>	<u>1,772</u>	<u>1,772</u>
Total Primary Government	<u>\$ 86,201</u>	<u>\$ 103,403</u>	<u>15,430</u>	<u>1,772</u>	<u>17,202</u>
General Revenues:					
Investment Earnings			4	14,947	14,951
Lottery Revenue			-	11,000	11,000
Personal Income Tax			-	95,400	95,400
Severance Tax			-	<u>124,855</u>	<u>124,855</u>
Total General Revenues			<u>4</u>	<u>246,202</u>	<u>246,206</u>
Change in Net Position Before Reappropriations/Interfund Transfers and Cumulative Effect of Adoption of Accounting Principle			15,434	247,974	263,408
Reappropriation to the State of West Virginia General Fund			(16,700)	-	(16,700)
Interfund Transfers			<u>(34)</u>	<u>34</u>	<u>-</u>
Change in Net Position Before Cumulative Effect of Adoption of Accounting Principle			(1,300)	248,008	246,708
Net Position (Deficit)-Beginning of Year			43,392	(170,836)	(127,444)
Cumulative Effect of Adoption of Accounting Principle			<u>(7,078)</u>	<u>-</u>	<u>(7,078)</u>
Net Position (Deficit)-Beginning of Year, Restated			<u>36,314</u>	<u>(170,836)</u>	<u>(134,522)</u>
Net Position (Deficit)-End of Year			<u>\$ 35,014</u>	<u>\$ 77,172</u>	<u>\$ 112,186</u>

See accompanying notes.

West Virginia Offices of the Insurance Commissioner
Statement of Net Position - Governmental Fund
June 30, 2015
(In Thousands)

	<u>Operating Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 46,510
Accounts Receivable – Assessments	938
Accounts Receivable – Employer Surcharge	4,308
Accounts Receivable – Other	701
Total Assets	<u>\$ 52,457</u>
LIABILITIES	
Compensated Absences	\$ 704
Accrued Expenses and Other Liabilities	2,156
OPEB Liability	9,323
Total Liabilities	<u>12,183</u>
Fund Balance	
Committed	<u>40,274</u>
Total Fund Balance	<u>40,274</u>
Total Liabilities and Fund Balances	<u>\$ 52,457</u>
Total Fund Balance	\$ 40,274
Amounts reported for governmental activities in the Statement of Net Position (Deficit) are different because:	
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds	489
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	1,628
Arrears Pay is not a financial resource and therefore is not reported in the funds	264
Net Pension liability is not due and payable in the current period and therefore are not reported in the funds	(3,484)
Long Term Compensated Absences are not due and payable in the current period and therefore are not reported in the funds	(238)
Deferred inflows of resources are not financial resources and therefore are not reported in the funds	<u>(3,919)</u>
Net Position of Governmental Activities	<u>\$ 35,014</u>

See accompanying notes.

West Virginia Offices of the Insurance Commissioner
Statement of Revenues, Expenditures and Changes in Fund Balance -
Governmental Fund
For the Fiscal Year Ended June 30, 2015
(In Thousands)

	<u>Operating Fund</u>
REVENUES	
Fees, Assessments, and Other	\$ 43,594
Investment Earnings	4
Total Revenues	<u>43,598</u>
EXPENDITURES	
General and Administrative	<u>29,493</u>
Total Expenditures	<u>29,493</u>
Excess of Revenues over Expenditures	14,105
OTHER USES	
Interfund Transfers	(34)
Reappropriation to the State of West Virginia General Fund	<u>(16,700)</u>
Net Change in Fund Balance	(2,629)
Fund Balance - Beginning of Year	<u>42,903</u>
Fund Balance - End of Year	<u>\$ 40,274</u>
Net Change in Fund Balance	\$ (2,629)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	1,628
Net Pension Expense does not require the use of current financial resources and therefore is not reported in governmental funds.	(325)
Arrears Pay does not require the use of current financial resources and therefore are not reported in governmental funds.	264
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.	(244)
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>6</u>
Change in Net Position of Governmental Activities	<u>\$ (1,300)</u>

See accompanying notes.

West Virginia Offices of the Insurance Commissioner
Statement of Net Position (Deficit) - Proprietary Funds
June 30, 2015
(In Thousands)

	<u>Workers'</u> <u>Compensation</u>	<u>AccessWV</u>	<u>State Entities</u> <u>Workers'</u> <u>Compensation</u>	<u>Total</u>
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 1,594,220	\$ 4,800	\$ 23,022	\$ 1,622,042
Receivables, Net:				
Statutory Allocations	10,897	-	-	10,897
Assessments	62	-	-	62
Employer Surcharge	9,008	-	-	9,008
Premiums	10	-	-	10
Other	-	-	-	-
Prepaid Assets	-	-	1,851	1,851
Loss Reserve Fund	-	-	17,836	17,836
Total Current Assets	<u>1,614,197</u>	<u>4,800</u>	<u>42,709</u>	<u>1,661,706</u>
 Total Assets	 <u>1,614,197</u>	 <u>4,800</u>	 <u>42,709</u>	 <u>1,661,706</u>
LIABILITIES				
Current Liabilities				
Estimated Liability for Unpaid Claims and Claim Adjustment Expense	184,300	-	4,900	189,200
Accrued Expenses and Other Liabilities	1,434	-	-	1,434
Total Current Liabilities	<u>185,734</u>	<u>-</u>	<u>4,900</u>	<u>190,634</u>
Noncurrent Liabilities				
Estimated Liability for Unpaid Claims and Claim Adjustment Expense	1,384,300	-	9,600	1,393,900
Total Noncurrent Liabilities	<u>1,384,300</u>	<u>-</u>	<u>9,600</u>	<u>1,393,900</u>
 Total Liabilities	 <u>1,570,034</u>	 <u>-</u>	 <u>14,500</u>	 <u>1,584,534</u>
Net Position				
Restricted for:				
Coal Workers' Pneumoconiosis	111,553	-	-	111,553
Uninsured Fund	10,557	-	-	10,557
Self-Insured Funds	12,507	-	-	12,507
AccessWV	-	4,800	-	4,800
State Entities Workers' Compensation Program Fund	-	-	28,209	28,209
Unrestricted (Deficit)	(90,454)	-	-	(90,454)
Total Net Position (Deficit)	<u>\$ 44,163</u>	<u>\$ 4,800</u>	<u>\$ 28,209</u>	<u>\$ 77,172</u>

See accompanying notes.

West Virginia Offices of the Insurance Commissioner
Statement of Revenues, Expenses, and Changes in Fund Net Position (Deficit) -
Proprietary Funds
For the Fiscal Year Ended June 30, 2015
(In Thousands)

	Workers'		State Entities	
	Compensation	AccessWV	Workers'	Total
	Compensation		Compensation	
Operating Revenues				
Assessments	\$ 45,958	\$ -	\$ -	\$ 45,958
Premium Revenue, Net	314	-	13,500	13,814
Other Operating Revenue	35	2	-	37
Total Operating Revenue	<u>46,307</u>	<u>2</u>	<u>13,500</u>	<u>59,809</u>
Operating Expenses and Claims Provisions				
Claims and Claim Adjustment Provisions (See Note 5)	33,341	(19)	11,672	44,994
General and Administration	11,199	8	1,836	13,043
Total Operating Expenses and Claims Provisions	<u>44,540</u>	<u>(11)</u>	<u>13,508</u>	<u>58,037</u>
Operating Income (Loss)	1,767	13	(8)	1,772
Nonoperating Revenues				
Investment Earnings	14,944	3	-	14,947
Lottery Revenue	11,000	-	-	11,000
Personal Income Tax	95,400	-	-	95,400
Severance Tax	124,855	-	-	124,855
Total Nonoperating Revenues	<u>246,199</u>	<u>3</u>	<u>-</u>	<u>246,202</u>
Change in Net Position (Deficit) before Interfund Transfers	247,966	16	(8)	247,974
Interfund Transfers	-	34	-	34
Total Net Position (Deficit) - Beginning of Year	<u>(203,803)</u>	<u>4,750</u>	<u>28,217</u>	<u>(170,836)</u>
Total Net Position - End of Year	<u>\$ 44,163</u>	<u>\$ 4,800</u>	<u>\$ 28,209</u>	<u>\$ 77,172</u>

See accompanying notes.

West Virginia Offices of the Insurance Commissioner
Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended June 30, 2015
(In Thousands)

	Workers' Compensation	AccessWV	State Entities Workers' Compensation	Total
Cash Flows from Operating Activities				
Receipts from Fees and Assessments	\$ 45,639	\$ -	\$ 18,747	\$ 64,386
Receipts from Employers and Policyholders	1,033	-	-	1,033
Receipts from Other Operating Revenues	35	2	-	37
Payments to Claimants and Providers	(192,141)	(51)	(9,873)	(202,065)
Payments for Premiums	-	-	(6,893)	(6,893)
Deposits into Loss Reserve Fund	-	-	(11,197)	(11,197)
Withdrawals from Loss Reserve Fund	-	-	9,873	9,873
Payments to Employees	(26)	(34)	-	(60)
Payments to Suppliers	(11,151)	(25)	(10)	(11,186)
Net Cash (Used in) Provided by Operating Activities	<u>(156,611)</u>	<u>(108)</u>	<u>647</u>	<u>(156,072)</u>
Cash Flows from Noncapital Financing Activities				
Statutory Allocations	<u>232,104</u>	<u>-</u>	<u>-</u>	<u>232,104</u>
Net Cash Provided by Noncapital Financing Activities	<u>232,104</u>	<u>-</u>	<u>-</u>	<u>232,104</u>
Cash Flows from Investing Activities				
Investment Earnings	14,944	3	-	14,947
Net Cash Provided by Investing Activities	<u>14,944</u>	<u>3</u>	<u>-</u>	<u>14,947</u>
Net Increase (Decrease) in Cash and Cash Equivalents	90,437	(105)	647	90,979
Cash and Cash Equivalents - Beginning of Year	<u>1,503,783</u>	<u>4,905</u>	<u>22,375</u>	<u>1,531,063</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,594,220</u>	<u>\$ 4,800</u>	<u>\$ 23,022</u>	<u>\$ 1,622,042</u>
Reconciliation of Operating Loss to Net Cash (Used in) Provided by Operating Activities:				
Operating (Loss) Income	\$ 1,767	\$ 13	\$ (8)	\$ 1,772
Adjustments to Reconcile Operating Loss to Net Cash (Used in) Provided by Operating Activities:				
Net Change in Assets and Liabilities:				
Receivables, Net	399	-	-	399
Loss Reserve Fund	-	-	(1,325)	(1,325)
Prepaid Premiums	-	-	180	180
Estimated Liability for Claims and Claim Adjustment Expenses	(158,800)	(70)	1,800	(157,070)
Accrued Expenses and Other Liabilities	23	(51)	-	(28)
Net Cash (Used in) Provided by Operating Activities	<u>\$ (156,611)</u>	<u>\$ (108)</u>	<u>\$ 647</u>	<u>\$ (156,072)</u>

See accompanying notes.

Notes to Financial Statements (In Thousands)

Notes to Financial Statements (In thousands)

1. Financial Reporting Entity

The West Virginia Offices of the Insurance Commissioner is a special revenue fund and enterprise funds of the State of West Virginia (the State) and, accordingly, is reported as such as part of the primary government in the State's Comprehensive Annual Financial Report (CAFR). The West Virginia Offices of the Insurance Commissioner is responsible for the regulation and oversight of all insurance transactions conducted in the State. The mission of the West Virginia Offices 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.

The West Virginia Offices of 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. 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. The residual assets and liabilities of the former Worker's Compensation Fund are now reported in a fund known as the Workers' Compensation Old Fund (Old Fund). 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 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 in run-off status under the administrative oversight of the West Virginia Offices of the Insurance Commissioner.

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 West Virginia Offices of the Insurance Commissioner is responsible for certain proprietary funds established for the purpose of maintaining an effective workers' compensation system. Those funds established by Senate Bill 1004 consist of the Uninsured Employers' Fund (UEF) and the Self-Insured Employers' Funds (SI).

The 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 West Virginia Code (the Code). The West Virginia Offices of 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 West Virginia Offices of the Insurance Commissioner may impose an administrative fine of not more than \$10 (ten thousand dollars) against an employer if the employer fails to provide mandatory coverage.

The Self-Insured Guaranty Risk Pool is a 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 West Virginia Offices of the

West Virginia Offices of the Insurance Commissioner
Notes to Financial Statements
(In thousands)

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 a fund held by the West Virginia State Treasurer's Office consisting of those funds paid into it through the West Virginia Offices of the Insurance Commissioner's administration of 85 CSR §19 (2004). The obligations of the fund are the claims liabilities of bankrupt or defaulted self-insured employers with dates of injury prior to July 1, 2004, provided that the default of the employer took place after the termination of the WCC on December 31, 2005.

The West Virginia Offices of the Insurance Commissioner utilizes the services of third party administrators to manage the claims activity of the workers' compensation related funds. Beginning January 1, 2008 thru May 2014, third-party administrator claims management services were divided between Sedgwick Claims Management Services, HealthSmart Casualty Claims Solutions, and American Mining Claims Services Incorporated. In May 2014, all claims being handled by American Mining Claims Services Incorporated were transitioned to HealthSmart Casualty Claims Solutions.

On March 12, 2011, the West Virginia Legislature passed HB 3163, added a new section, §33-2-21a, to the Code of West Virginia in order to provide a means of managing workers' compensation coverage for persons directly employed by the State of West Virginia. The West Virginia Offices of the Insurance Commissioner was given the responsibility of administering the State Entities Workers' Compensation program (SEWC), a program established to provide workers' compensation coverage for state government entities and their employees. The SEWC functions as an insurance purchasing risk pool.

The West Virginia Offices of the Insurance Commissioner has fulfilled certain responsibilities for the State of West Virginia related to the implementation of federal legislation enacted on March 23, 2010, known as the Patient Protection and Affordable Care Act (ACA). In order to accomplish the implementation of the insurance regulatory responsibilities outlined in the ACA, the West Virginia Offices of the Insurance Commissioner has been awarded federal grants that are accounted for in the entity's Operating Fund.

The West Virginia Offices of the Insurance Commissioner administered the West Virginia Health Insurance Plan known as AccessWV, which was a high-risk health insurance pool. AccessWV provided health insurance for medically uninsurable individuals and their dependents. Due to the federal government's 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, AccessWV ceased to provide insurance coverage on March 31, 2014.

The Old Fund, the CWPF, the UEF, 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, SEWC, and AccessWV combine to comprise the proprietary funds reported in the financial statements. The West Virginia Offices of the Insurance Commissioner maintains an Operating Fund that is reported as the general fund for financial statement purposes. Certain general and administrative expenses of the other funds are paid from the Operating Fund. All transactions related to federal grants are also reported in the Operating Fund.

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 of only that portion of the financial reporting entity 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 the financial position of the State of West Virginia as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended.

2. Significant Accounting Policies

Basis of Presentation

The West Virginia Offices of 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*, Governmental Accounting Standards Board Statement 54 (GASB 54) *Fund Balance Reporting and Governmental Fund Type Definitions*, 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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Additionally, the West Virginia Offices of the Insurance Commissioner is subject to GASB Statement No. 66, *Technical Corrections -2012, an amendment of GASB Statements No. 10 and No. 62* (GASB 66), which resolved conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports.

The West Virginia Offices of 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 limits 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 and disclosed. A legally enforceable enabling legislation restriction is defined as one that a party external to a government such as citizens, public interest groups, or the judiciary can compel a government to honor.

The West Virginia Offices of the Insurance Commissioner is also subject to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62), which incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and the AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

Use of Estimates

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.

West Virginia Offices of the Insurance Commissioner
Notes to Financial Statements
(In thousands)

Basis of Accounting

The West Virginia Offices of 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.

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 45 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 Code the West Virginia Offices of the Insurance Commissioner submits a detailed budgetary schedule of administrative expenses to the Secretary of the Department of Revenue prior to the beginning of each fiscal year. The budgetary schedule is prepared on the cash basis. All financial operations of the West Virginia Offices of the Insurance Commissioner, except for benefits and direct claims costs, are subject to a non-appropriated budget review and approval process in which the West Virginia Offices of 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 West Virginia Offices of the Insurance Commissioner on June 30, 2015, totaled \$72,793. 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 West Virginia Offices of the Insurance Commissioner totals \$1,587,546, and cash pooled with funds of other state agencies and invested by the Board of Treasury Investments (BTI) was \$8,213. For purposes of the Statement of Cash Flows, the West Virginia Offices of 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*.

Loss Reserve Fund

The Loss Reserve Fund consists of money on deposit with Zurich American Insurance Company ("Zurich") that is utilized to pay claims and claims adjustment expenses of the SEWC up to the retention level established by the insurance contract.

Receivables

Net receivables at the date of the Statement of Net Position (Deficit) represent management's best estimate of the net realizable value of taxes, fees, assessments, premiums and related revenue due as of June 30, 2015. All premiums receivable balances due to the West Virginia Offices of the Insurance Commissioner consist of past premiums due from defaulted employers for periods of coverage prior to June 30, 2005, from the former Workers' Compensation Commission. Due to the age of these remaining premium receivables, only the actual subsequent receipts are recognized in the financial statements unless the employer has entered into a bona fide repayment agreement with the State or if the employer is subject to a court ordered restitution agreement. The West Virginia Offices of the Insurance Commissioner also 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.

**West Virginia Offices of the Insurance Commissioner
Notes to Financial Statements
(In thousands)**

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. At June 30, 2015, cost of capital assets was \$3,681 with \$285 current depreciation expense and \$3,192 accumulated depreciation.

Deferred Outflows of Resources

A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Balances of deferred outflows of resources may be presented in the Statement of Net Position or Governmental Fund Balance Sheet as aggregations of different types of deferred amounts. At June 30, 2015, deferred outflows in the Statement of Net Position were composed of \$1,628 related to employer contributions to the Public Employees Retirement System (PERS) made during the current fiscal year subsequent to the measurement date.

Estimated Liability for Unpaid Claims and Claim Adjustment Expense

The liability for unpaid claims and claim adjustment expense represents management's estimate, developed in conjunction and with the assistance of the West Virginia Offices of the Insurance Commissioner's consulting actuary, of the ultimate net cost of all unpaid claims and claim adjustment expenses incurred as of the date of the Statement of Net Position (Deficit). 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 liability for unpaid claims and claim adjustment expense is adequate. However, due to the inherent variability of the assumptions used to estimate this liability, the actual incurred losses and loss adjustment expenses may vary significantly from the estimated amount included in the West Virginia Offices of the Insurance Commissioner's financial statements.

Compensated Absences and Other Post-Employment Benefits

Employees fully vest in all earned but unused vacation, and the West Virginia Offices of 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 Code, West Virginia Offices of the Insurance Commissioner employees, upon retirement, may apply their accumulated annual vacation 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 vacation and/or sick leave toward additional credited service in the computation of their retirement benefits. The West Virginia Offices of the Insurance Commissioner accounts for compensated absences by accruing 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.

During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for other postemployment benefits for the State. Effective July 1, 2007, the West Virginia Offices of the Insurance Commissioner was required to participate in this multiple employer cost-sharing plan, the Retiree Health Benefit Trust Fund, sponsored by the State. 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 West Virginia Offices of 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 1½ 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. For employees hired prior to July 1, 1988, 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

West Virginia Offices of the Insurance Commissioner
Notes to Financial Statements
(In thousands)

insurance premiums when they retire. The liability is now provided for under the multiple employer cost-sharing plan sponsored by the State.

OPEB costs are accrued based upon invoices received from PEIA based upon actuarial required contribution amounts. The actuarial required contributions were \$1,112,842, \$672,015, and \$725,187 for the years ended June 30, 2015, 2014, and 2013, respectively. The actuarial amounts contributed were \$495,987, \$538,564, and \$553,903 for the years ended June 30, 2015, 2014, and 2013, respectively. At June 30, 2015, the estimated current liability related to OPEB costs was \$9,323.

Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. Balances of deferred inflows of resources may be presented in the Statement of Net Position or Governmental Fund Balance Sheet as aggregations of different types of deferred amounts. At June 30, 2015, deferred inflows in the Statement of Net Position were composed of \$3,919 related to investment earnings in excess of actuarial assumptions for the net pension liability.

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.

Statutory Allocations Proceeds

The West Virginia Offices of the Insurance Commissioner recognized \$231,255 of revenues allocated to Old Fund Debt Reduction during fiscal year 2015. The allocations are comprised of \$124,855 in severance tax proceeds, \$95,400 in personal income tax proceeds and \$11,000 from West Virginia Lottery proceeds.

Re-appropriation to the State's General Revenue Fund

During fiscal year 2015, House Bill 2769 was passed requiring a re-appropriation of \$16,700 of funds from the West Virginia Offices of the Insurance Commissioner Operating Fund to the State of West Virginia General Fund.

Net Position (Deficit)

The West Virginia Offices of the Insurance Commissioner displays net position (deficit) 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 position (deficit) 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 position – Restricted net position should be reported when constraints placed on the net position 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 West Virginia Offices of 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, CWPF, Uninsured Employers' Fund, Self-Insured Employers' Funds, AccessWV and the SEWC are restricted for payment of related expenses.
- Unrestricted net position (deficit) – Unrestricted net position (deficit) consist of net positions that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." In the governmental environment, net positions 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

West Virginia Offices of the Insurance Commissioner
Notes to Financial Statements
(In thousands)

can remove or modify them. Such internal designations are not reported on the face of the statement of net position (deficit).

Fund Balance

Fund balance classifications are based primarily on the extent to which the West Virginia Offices of the Insurance Commissioner is bound to honor constraints on the specific purposes for which the amounts in those funds can be spent. Fund balances may be categorized as follows:

- Non-spendable fund balances – These include amounts that cannot be spent because they are in a non-spendable form, such as inventory, or prepaid expense amounts, or they are legally or contractually required to be maintained intact, such as the corpus of a permanent fund.
- Restricted fund balances – These are restricted due to legal restrictions from creditors, grantors, or laws and regulations of other governments or by legally enforceable enabling legislation or constitutional provisions. When an expenditure occurs for which both unrestricted and restricted funds are available, management utilizes restricted funds first.
- Committed fund balances – These are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority, which for the West Virginia Offices of the Insurance Commissioner is the Commissioner. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- Assigned fund balances – These are constrained by the intent to use funds for specific purposes, but are neither restricted nor committed.
- Unassigned fund balance – This is the residual classification for the general operating fund. This classification represents a fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other funds, any negative fund balances would be unassigned.

Future Adoption of Accounting Pronouncements

The Governmental Accounting Standards Board has also issued Statement No. 72, *Fair Value Measurement and Application*, effective for fiscal years beginning after June 15, 2015. This Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. Management has not yet determined the effect that the adoption of GASB Statement No. 72 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68, effective for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulate for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. Management has not yet determined the effect that the adoption of GASB Statement No. 73 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017. The requirements of this Statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also

West Virginia Offices of the Insurance Commissioner
Notes to Financial Statements
(In thousands)

improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. Management has not yet determined the effect that the adoption of GASB Statement No. 75 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for fiscal years beginning after June 15, 2015. The requirements of this Statement will identify—in the context of the current governmental financial reporting environment—the hierarchy of accounting principles generally accepted in the United States of America (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Management has not yet determined the effect that the adoption of GASB Statement No. 76 may have on its financial statements.

Subsequent Events

In preparing these financial statements, the West Virginia Offices of the Insurance Commissioner has evaluated events and transactions for potential recognition or disclosure through October 14, 2015, the date the financial statements were available for issuance. No items were noted that merit recognition or disclosure in the financial statements.

3. Adoption of New Accounting Pronouncements and Restatement of Beginning Net Position

Effective July 1, 2014, the West Virginia Offices of the Insurance Commissioner adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. As summarized below, a cumulative effect adjustment of \$7,078 has been recorded to decrease net position previously reported at the beginning of fiscal year 2015. These statements reclassified some items previously reported as expenses as deferred outflows and now requires the West Virginia Offices of the Insurance Commissioner to record the net pension liability and a more comprehensive measure of pension expense.

	Governmental Activities	Total Primary Government
Net position at the beginning of the year required restatement:		
Net Position (Deficit) beginning of year, as previously reported	\$ 43,392	\$ (127,444)
Total cumulative effect adjustment	<u>(7,078)</u>	<u>(7,078)</u>
Net Position (Deficit) at June 30, 2014, restated	<u>\$ 36,314</u>	<u>\$ (134,522)</u>

Employer contributions to the Public Employees Retirement System (PERS) made during the current fiscal year subsequent to the pension liability measurement date are recorded as deferred outflows of resources. For the fiscal year ended June 30, 2015, the West Virginia Offices of the Insurance Commissioner reported deferred outflows of resources relating to these payments of \$1,628. Additionally, investment earnings in excess of actuarial assumptions are required to be recorded as deferred inflows and amortized over 4.27 years, the average remaining service life. For the fiscal year ended June 30, 2015, the West Virginia Offices of the Insurance Commissioner reported deferred inflows of resources relating to these earnings of \$3,919.

See Note 8 for additional pension disclosures.

West Virginia Offices of the Insurance Commissioner
Notes to Financial Statements
(In thousands)

4. Cash and Cash Equivalents

The West Virginia Offices of 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 West Virginia Offices of the Insurance Commissioner accordingly. Such funds are available to the West Virginia Offices of 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 2015, stock holdings were limited to 30 percent of the Old Fund portfolio. The equity allocation was also limited to 30 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 the Worker's Compensation Uninsured Employers' Fund, the Self-Insured Security Risk Pool and the Self-Insured Guaranty Risk Pool were invested 30 percent in equity securities and 70 percent in fixed income securities during fiscal year 2015.

In accordance with GASB 40, the following risk disclosure and other information is provided for the West Virginia Offices of the Insurance Commissioner funds being held by the IMB and the BTI in the following investment pools (amounts in thousands, except share data).

West Virginia Investment Management Board (IMB) Investments

The West Virginia Offices of the Insurance Commissioner is a participant in several IMB investment pools. The footnotes following this schedule represent the investment pools as a whole.

The following schedule provides the value of the West Virginia Offices of the Insurance Commissioner's balances in the various pools at June 30, 2015.

<u>Investment Pool</u>	<u>WC Old Fund</u>	<u>CWPF</u>	<u>Uninsured</u>	<u>Self Insured Guaranty</u>	<u>Self Insured Security</u>
Large Cap Domestic	\$ 156,175	\$ 31,858	\$ 1,321	\$ 1,891	\$ 1,100
Non-Large Cap Domestic	36,666	7,571	315	457	263
International Nonqualified	45,654	11,004	536	777	360
International Equity	137,652	27,498	1,082	1,566	964
Short-Term Fixed Income	61,615	12,356	1,106	791	456
Total Return Fixed Income	506,934	64,490	2,273	3,864	2,223
Core Fixed Income	218,538	27,638	978	1,662	954
TIPS	127,251	26,046	1,081	1,566	899
Hedge Fund	-	52,910	2,196	3,182	1,828
Total by Pool	<u>\$ 1,290,485</u>	<u>\$ 261,371</u>	<u>\$ 10,888</u>	<u>\$ 15,756</u>	<u>\$ 9,047</u>

Large Cap Domestic (LCD)

Credit Risk - The LCD Pool is exposed to credit risk from investments made with cash collateral for securities loaned. This risk is limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody's or Standard & Poor's at the time of purchase. Short-term debt instruments must be rated P-1 by Moody's or A-1 by Standard & Poor's at the time of purchase.

West Virginia Offices of the Insurance Commissioner
Notes to Financial Statements
(In thousands)

<u>Investment Type</u>	<u>Moody's</u>	<u>S&P</u>	<u>Fair Value</u>	<u>Percent of Assets</u>
Corporate asset backed issues	Aaa	AAA	\$ 6,225	0.2%
Corporate CMO	Aaa	AAA	2,345	0.1
Foreign asset backed issues	Aaa	AAA	529	0.0
Foreign corporate bonds	Aa	A	1,748	0.0
Foreign government bonds	Aa3	A	251	0.0
Preferred stock	A	A	42	0.0
Short-term issue	P-1	A-1	158,805	4.1
U.S. corporate bonds	A1	A	1,006	0.0
U.S. Government agency bonds	Aaa	AA	235	0.0
U.S. Government agency CMO interest-only	Aaa	AA	45	0.0
U.S. Government agency MBS	Aaa	AA	111,550	2.9
U.S. Treasury bonds	Aaa	AA	39,426	1.0
Total rated investments			<u>322,207</u>	<u>8.3%</u>
Common stock			<u>3,533,100</u>	<u>91.7%</u>
Total investments			<u>\$ 3,855,307</u>	<u>100.0%</u>

This table includes investments received as collateral for repurchase agreements with a fair value of \$302,436 as compared to the amortized cost of the repurchase agreements of \$286,428.

Concentration of Credit Risk - The LCD Pool is restricted from investing more than 5 percent of the value of the LCD Pool in any one company. At June 30, 2015, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk - At June 30, 2015, the LCD Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized to a minimum of 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.

Interest Rate Risk - The LCD Pool is exposed to interest rate risk from investments made with cash collateral for securities loaned. The weighted average maturity for investments made with cash collateral for securities loaned is not to exceed 90 days. The maturity of floating rate notes is assumed to be the next interest reset date. The following table provides the weighted average maturities (WAM) for the investments made with cash collateral for securities loaned as of June 30, 2015.

<u>Investment Type</u>	<u>Fair Value</u>	<u>WAM (days)</u>
Asset backed issues	\$ 197	22
Repurchase agreements	286,428	1
Time deposits	<u>137,472</u>	<u>1</u>
Total	<u>\$ 424,097</u>	<u>1</u>

Foreign Currency Risk – The LCD Pool is exposed to no or minimal foreign currency risk.

Non-Large Cap Domestic (NLCD)

Credit Risk - The NLCD Pool is exposed to credit risk from investments made with cash collateral for securities loaned. This risk is limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody's or Standard & Poor's at the time of purchase. Short-term debt instruments must be rated P-1 by Moody's or A-1 by Standard & Poor's at the time of purchase.

West Virginia Offices of the Insurance Commissioner
Notes to Financial Statements
(In thousands)

The following table provides information on the weighted average credit ratings of the NLCD Pool's investments as of June 30, 2015.

<u>Investment Type</u>	<u>Moody's</u>	<u>S&P</u>	<u>Fair Value</u>	<u>Percent of Assets</u>
Corporate asset backed issues	Aaa	AAA	\$ 4,720	0.4%
Corporate CMO	Aaa	AAA	1,778	0.2
Foreign asset backed issues	Aaa	AAA	401	0.0
Foreign corporate bonds	Aa	A	1,325	0.1
Foreign government bonds	Aa3	A	190	0.0
Preferred stock	A	A	32	0.0
Short-term issue	P-1	A-1	112,978	9.8
U.S. corporate bonds	A1	A	762	0.1
U.S. Government agency bonds	Aaa	AA	178	0.0
U.S. Government agency CMO interest-only	Aaa	AA	34	0.0
U.S. Government agency MBS	Aaa	AA	84,577	7.4
U.S. Treasury bonds	Aaa	AA	29,892	2.6
Total rated investments			<u>236,867</u>	<u>20.6%</u>
Common stock			<u>911,488</u>	<u>79.4%</u>
Total investments			<u>\$ 1,148,355</u>	<u>100.0%</u>

This table includes investments received as collateral for repurchase agreements with a fair value of \$229,307 as compared to the amortized cost of the repurchase agreements of \$217,169.

Concentration of Credit Risk - The NLCD Pool is restricted from investing more than 5 percent of the value of the NLCD Pool in any one company. At June 30, 2015, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk - At June 30, 2015, the NLCD Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized to a minimum of 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.

Interest Rate Risk - The NLCD Pool is exposed to interest rate risk from investments made with cash collateral for securities loaned. The weighted average maturity for investments made with cash collateral for securities loaned is not to exceed 90 days. The maturity of floating rate notes is assumed to be the next interest reset date. The following table provides the weighted average maturities (WAM) for the investments made with cash collateral for securities loaned as of June 30, 2015.

<u>Investment Type</u>	<u>Fair Value</u>	<u>WAM (days)</u>
Asset backed issues	\$ 149	22
Repurchase agreements	217,169	1
Time deposits	<u>104,230</u>	<u>1</u>
Total	<u>\$ 321,548</u>	<u>1</u>

Foreign Currency Risk - The NLCD Pool is exposed to no or minimal foreign currency risk.

West Virginia Offices of the Insurance Commissioner
Notes to Financial Statements
(In thousands)

International Nonqualified (IN)

The IN Pool invests in a collective trust fund that invests in equities denominated in foreign currencies. The value of this investment at June 30, 2015, was \$153,554. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments. The IN Pool is not exposed to credit risk, interest rate risk, custodial credit risk, or concentration of credit risk.

International Equity

Credit Risk - The IN Pool is exposed to credit risk from investments made with cash collateral for securities loaned. This risk is limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody's or Standard & Poor's at the time of purchase. Short-term debt instruments must be rated P-1 by Moody's or A-1 by Standard & Poor's at the time of purchase.

<u>Investment Type</u>	<u>Moody's</u>	<u>S&P</u>	<u>Fair Value</u>	<u>Percent of Assets</u>
Corporate asset backed issues	Aaa	AAA	\$ 3,101	0.1%
Corporate CMO	Aaa	AAA	1,168	0.0
Foreign asset backed issues	Aaa	AAA	264	0.0
Foreign corporate bonds	Aa	A	871	0.0
Foreign government bonds	Aa	A	125	0.0
Short-term issue	Aaa	AAA	32,015	1.1
Time deposits	P-1	A-1	68,488	2.3
U.S. corporate bonds	A	A	501	0.0
U.S. Government agency bonds	Aaa	AA	117	0.0
U.S. Government agency CMO interest-only	Aaa	AA	22	0.0
U.S. Government agency MBS	Aaa	AA	55,574	1.9
U.S. Treasury bonds	Aaa	AA	19,642	0.7
Total rated investments			<u>181,888</u>	<u>6.1%</u>
Common stock			2,747,001	92.5%
Preferred stock			40,815	1.4
Rights			<u>8</u>	<u>0.0</u>
Total investments			<u>\$ 2,969,712</u>	<u>100.0%</u>

This table includes investments received as collateral for repurchase agreements with a fair value of \$150,672 as compared to the amortized cost of the repurchase agreements of \$142,698.

Concentration of Credit Risk - The IN Pool is restricted from investing more than 5 percent of the value of the Pool in any one company. At June 30, 2015, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk - At June 30, 2015, the IN Pool held no securities that were subject to custodial credit risk. Repurchase agreements, when held, are collateralized to a minimum of 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.

Interest Rate Risk - The IN Pool is exposed to interest rate risk from investments made with cash collateral for securities loaned. The weighted average maturity for investments made with cash collateral for securities loaned is not to exceed 90 days. The maturity of floating rate notes is assumed to be the next interest reset date. The following table provides the weighted average maturities (WAM) for the investments made with cash collateral for securities loaned as of June 30, 2015.

West Virginia Offices of the Insurance Commissioner
Notes to Financial Statements
(In thousands)

<u>Investment Type</u>	<u>Fair Value</u>	<u>WAM (days)</u>
Asset backed issues	\$ 97	22
Repurchase agreements	142,698	1
Time deposits	68,488	1
Total	<u>\$ 211,283</u>	<u>1</u>

Foreign Currency Risk - The IN Pool has both equity securities and cash that are denominated in foreign currencies and are exposed to foreign currency risks. The amounts at fair value (in U.S. dollars) of investments and cash denominated in foreign currencies as of June 30, 2015 are as follows:

<u>Currency</u>	<u>Investments</u>	<u>Cash</u>	<u>Total</u>	<u>Percent</u>
Australian Dollar	\$ 71,411	\$ 21	\$ 71,432	2.4%
Brazil Real	113,460	829	114,289	3.8
British Pound	272,285	1,049	273,334	9.2
Canadian Dollar	130,182	62	130,244	4.4
Czech Koruna	11,113	-	11,113	0.4
Danish Krone	24,755	1	24,756	0.8
Egyptian Pound	3,762	-	3,762	0.1
Emirati Dirham	3,773	-	3,773	0.1
Euro Currency Unit	410,970	(51)	410,919	13.9
Hong Kong Dollar	267,032	979	268,011	9.0
Hungarian Forint	9,379	106	9,485	0.3
Indian Rupee	49,212	1,019	50,231	1.7
Indonesian Rupiah	19,720	39	19,759	0.7
Israeli Shekel	19,243	3	19,246	0.6
Japanese Yen	401,766	2,410	404,176	13.6
Malaysian Ringgit	12,366	252	12,618	0.4
Mexican Peso	35,498	5	35,503	1.2
New Taiwan Dollar	70,408	2,623	73,031	2.5
New Zealand Dollar	1,056	57	1,113	0.0
Norwegian Krone	26,742	34	26,776	0.9
Pakistan Rupee	5,610	-	5,610	0.2
Philippine Peso	8,810	-	8,810	0.3
Polish Zloty	10,753	71	10,824	0.4
Qatari Riyal	300	9	309	0.0
Singapore Dollar	13,923	151	14,074	0.5
South African Rand	48,901	551	49,452	1.7
South Korean Won	174,570	1,238	175,808	5.9
Swedish Krona	48,637	1	48,638	1.6
Swiss Franc	97,333	14	97,347	3.3
Thailand Baht	25,382	29	25,411	0.9
Turkish Lira	45,967	-	45,967	1.5
Total	<u>\$ 2,434,319</u>	<u>\$ 11,502</u>	<u>\$ 2,445,821</u>	<u>82.3%</u>

This table excludes investments held by the IN Pool that are denominated in U.S. dollars. The market value of the U.S. dollar denominated investments is \$527,419 or 17.7 percent.

West Virginia Offices of the Insurance Commissioner
Notes to Financial Statements
(In thousands)

Short-Term Fixed Income (STFI)

Credit Risk - The IMB limits the exposure to credit risk in the STFI Pool by requiring all corporate bonds to be rated AA or higher. Commercial paper must be rated A-1 by Standard & Poor's and P-1 by Moody's. Additionally, the STFI 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 STFI Pool's investments as of June 30, 2015.

<u>Investment Type</u>	<u>Moody's</u>	<u>S&P</u>	<u>Fair Value</u>	<u>Percent of Assets</u>
Commercial paper	Aaa	AA	\$ 22,999	8.5%
U.S. Government agency issues	Aaa	AA	136,763	50.5
U.S. Treasury issues	Aaa	AA	<u>110,922</u>	<u>41.0</u>
Total rated investments			<u>\$ 270,684</u>	<u>100.00%</u>

This table includes U.S. Treasury notes received as collateral for a repurchase agreement with a fair value of \$65,365 as compared to the amortized cost of the repurchase agreement of \$64,341.

Concentration of Credit Risk - The STFI Pool is restricted from investing more than 5 percent of the value of the Pool in any one corporate name. At June 30, 2015, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk - At June 30, 2015, this pool held no investments 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 investments are held by the IMB's custodian in the name of the IMB.

Interest Rate Risk - The weighted average maturity of the investments of the STFI Pool is not to exceed 60 days. The maturity of floating rate notes is assumed to be the next interest rate reset date. The following table provides the weighted average maturities (WAM) for the various asset types in the Pool as of June 30, 2015.

<u>Investment Type</u>	<u>Carrying Value</u>	<u>WAM (days)</u>
Commercial paper	\$ 22,999	19
Repurchase agreement	64,341	1
U.S. Government agency issues	136,763	52
U.S. Treasury issues	<u>45,557</u>	<u>70</u>
Total investments	<u>\$ 269,660</u>	<u>40</u>

Foreign Currency Risk – The STFI Pool has no investments that are subject to foreign currency risk.

Total Return Fixed Income (TRFI)

Credit Risk - The IMB limits the exposure to credit risk in the TRFI 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 TRFI Pool as of June 30, 2015.

West Virginia Offices of the Insurance Commissioner
Notes to Financial Statements
(In thousands)

<u>Investment Type</u>	<u>Moody's</u>	<u>S&P</u>	<u>Fair Value</u>	<u>Percent of Assets</u>
Corporate asset backed issues	A	AA	\$ 116,267	4.8%
Corporate CMO	B	B	101,927	4.2
Corporate CMO interest-only	C	Not Rated	7,706	0.3
Corporate preferred security	Ba	BB	10,430	0.4
Foreign asset backed issues	A	A	20,876	0.9
Foreign corporate bonds	Baa	BB	286,053	11.9
Foreign government bonds	Baa	BBB	212,335	8.8
Municipal bonds	A	A	51,734	2.2
Short-term issue	Aaa	AAA	102,153	4.3
Time deposits	P-1	A-1	7,174	0.3
U.S. corporate bonds	Baa	BBB	578,292	24.2
U.S. Government agency bonds	Aaa	AA	2,579	0.1
U.S. Government agency CMO	Aaa	AA	80,795	3.4
U.S. Government agency CMO interest-only	Aaa	AA	3,819	0.2
U.S. Government agency MBS	Aaa	AA	298,744	12.4
U.S. Government agency TBA	Aaa	AA	884	0.0
U.S. Treasury bonds	Aaa	AA	113,459	4.7
U.S. Treasury inflation-protected securities	Aaa	AA	20,616	0.9
Total rated investments			<u>2,015,843</u>	<u>84.0%</u>
Common stock			7,266	0.3
Corporate CMO residuals			21,983	0.9
Investments in other funds			356,277	14.8
Options contracts purchased			<u>1,114</u>	<u>0.0</u>
Total investments			<u>\$ 2,402,483</u>	<u>100.0%</u>

This table includes investments received as collateral for repurchase agreements with a fair value of \$15,783 as compared to the amortized cost of the repurchase agreements of \$14,948.

Concentration of Credit Risk - The TRFI Pool is restricted from investing more than 5 percent of the value of the TRFI Pool in any one corporate name. At June 30, 2015, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk - At June 30, 2015, the TRFI 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.

Interest Rate Risk - The IMB monitors interest rate risk of the TRFI Pool by evaluating the effective duration of the investments in the TRFI Pool. The following table provides the weighted average effective duration for the various asset types in the TRFI Pool as of June 30, 2015.

West Virginia Offices of the Insurance Commissioner
Notes to Financial Statements
(In thousands)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Effective Duration (years)</u>
Corporate asset backed issues	\$ 115,952	2.2
Corporate CMO	101,802	1.8
Corporate CMO interest-only	7,706	18.8
Corporate preferred security	10,428	0.3
Foreign asset backed issues	20,849	1.6
Foreign corporate bonds	285,960	6.0
Foreign government bonds	212,324	6.3
Investments in other funds	356,277	3.2
Municipal bonds	51,734	8.4
Repurchase agreements	14,948	0.0
Short-term issue	102,153	0.0
Time deposits	7,173	0.0
U.S. corporate bonds	578,249	6.6
U.S. Government agency bonds	2,566	4.3
U.S. Government agency CMO	80,795	2.1
U.S. Government agency CMO interest-only	3,816	2.2
U.S. Government agency MBS	292,921	2.6
U.S. Government agency TBA	884	2.1
U.S. Treasury bonds	111,398	4.2
U.S. Treasury inflation-protected securities	20,616	14.0
Total investments	<u>\$ 2,378,551</u>	<u>4.5</u>

The TRFI 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 effective 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, 2015, the TRFI Pool held \$623,846 of these securities. This represents approximately 26 percent of the value of the Pool's securities.

Foreign Currency Risk - The TRFI Pool has foreign government bonds and foreign corporate bonds that are denominated in foreign currencies and are exposed to foreign currency risks. The TRFI Pool also has foreign denominated futures contracts and foreign exchange forward contracts. Refer to Notes 7 and 9, respectively, for details on these contracts. Additionally, the TRFI Pool has indirect exposure to foreign currency risk through its ownership interests in certain of the commingled investment pools. Approximately \$124,768, or 35 percent, of the commingled investment pools hold substantially all of their investments in foreign currencies. This represents approximately 5 percent of the value of the TRFI Pool's securities. The amounts at fair value (in U.S. dollars) of investments and cash denominated in foreign currencies as of June 30, 2015, are as follows:

<u>Currency</u>	<u>Investments</u>	<u>Cash</u>	<u>Total</u>	<u>Percent</u>
Brazil Real	\$ 16,991	\$ -	\$ 16,991	0.7%
Colombian Peso	2,706	-	2,706	0.1
Deutsche Mark	2,086	-	2,086	0.0
Euro Currency Unit	29,225	2,006	31,231	1.3
Ghanaian Cedi	1,267	-	1,267	0.1
Indian Rupee	3,385	-	3,385	0.1
Japanese Yen	53,751	2,782	56,533	2.3

West Virginia Offices of the Insurance Commissioner
Notes to Financial Statements
(In thousands)

<u>Currency</u>	<u>Investments</u>	<u>Cash</u>	<u>Total</u>	<u>Percent</u>
Kenyan Shilling	1,937	-	1,937	0.1
Mexican Peso	35,266	162	35,428	1.5
Nigerian Naira	461	-	461	0.0
Russian Ruble	5,933	192	6,125	0.3
Serbian Dinar	1,634	-	1,634	0.1
South African Rand	5,431	214	5,645	0.2
Swiss Franc	1,375	-	1,375	0.1
Turkish Lira	3,302	-	3,302	0.1
Ugandan Shilling	1,248	3	1,251	0.1
Uruguayan Peso	4,093	-	4,093	0.2
Zambian Kwacha	2,594	12	2,606	0.1
Total	<u>\$ 172,685</u>	<u>\$ 5,371</u>	<u>\$ 178,056</u>	<u>7.4%</u>

This table excludes investments and cash held by the TRFI Pool that are denominated in U.S. dollars. The market value of the U.S. dollar denominated investments and cash is \$2,234,766. This represents approximately 93 percent of the value of the TRFI Pool's investments.

Core Fixed Income (CFI)

Credit Risk - The IMB limits the exposure to credit risk in this 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 CFI Pool as of June 30, 2015.

<u>Investment Type</u>	<u>Moody's</u>	<u>S&P</u>	<u>Fair Value</u>	<u>Percent of Assets</u>
Corporate asset backed issues	A	A	\$ 76,880	7.0%
Corporate CMO	A	A	87,661	8.0
Corporate CMO interest-only	Ba	AAA	1,198	0.1
Corporate CMO principal-only	B	AA	278	0.0
Foreign asset backed issues	Aa	AA	2,813	0.3
Foreign corporate bonds	A	A	46,435	4.3
Foreign government bonds	Aa	A	7,814	0.7
Municipal bonds	Aa	AA	8,646	0.8
Preferred stock	A	A	2	0.0
Short-term issue	Aaa	AAA	41,293	3.8
Time deposits	P-1	A-1	7,044	0.6
U.S. Corporate bonds	A	A	222,329	20.4
U.S. Government agency bonds	Aaa	AA	21,742	2.0
U.S. Government agency CMO	Aaa	AA	144,364	13.2
U.S. Government agency CMO interest-only	Aaa	AA	6,921	0.6
U.S. Government agency CMO principal-only	Aaa	AA	10,501	1.0
U.S. Government agency MBS	Aaa	AA	194,546	17.8
U.S. Treasury bonds	Aaa	AA	204,400	18.7
U.S. Treasury inflation protected security	Aaa	AA	415	0.0
Total rated investments			<u>1,085,282</u>	<u>99.3%</u>
Common stock			<u>7,134</u>	<u>0.7%</u>
Total investments			<u>\$ 1,092,416</u>	<u>100.0%</u>

West Virginia Offices of the Insurance Commissioner
Notes to Financial Statements
(In thousands)

This table includes investments received as collateral for repurchase agreements with a fair value of \$15,496 as compared to the amortized cost of the repurchase agreements of \$14,676.

Concentration of Credit Risk - The CFI Pool is restricted from investing more than 5 percent of the value of the CFI Pool in any one corporate name. At June 30, 2015, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk - Repurchase agreements, when held, 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.

Interest Rate Risk - The IMB monitors interest rate risk of the CFI Pool by evaluating the effective duration of the investments in the CFI Pool. The following table provides the weighted average effective duration for the various asset types in the CFI Pool as of June 30, 2015.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Effective Duration (years)</u>
Corporate asset backed issues	\$ 76,574	2.0
Corporate CMO	87,539	2.0
Corporate CMO interest-only	1,198	(8.5)
Corporate CMO principal-only	278	3.2
Foreign asset backed issues	2,786	0.1
Foreign corporate bonds	46,346	5.7
Foreign government bonds	7,800	8.7
Municipal bonds	8,646	13.9
Repurchase agreements	14,676	0.0
Short-term issue	41,293	0.0
Time deposits	7,044	0.0
U.S. Corporate bonds	222,273	6.1
U.S. Government agency bonds	21,730	4.7
U.S. Government agency CMO	144,364	3.7
U.S. Government agency CMO interest-only	6,919	7.6
U.S. Government agency CMO principal-only	10,501	7.4
U.S. Government agency MBS	188,831	4.8
U.S. Treasury bonds	202,383	7.2
U.S. Treasury inflation protected security	415	5.4
Total investments	<u>\$ 1,091,596</u>	<u>4.8</u>

The CFI 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 effective 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, 2015, the CFI Pool held \$518,979 of these securities. This represents approximately 48 percent of the value of the CFI Pool's securities.

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

West Virginia Offices of the Insurance Commissioner
Notes to Financial Statements
(In thousands)

TIPS

Credit Risk – The IMB limits the exposure to credit risk in the TIPS Pool by primarily investing in U.S. Treasury inflation protected securities. The following table provides the weighted average credit ratings of the rated assets in this pool as of June 30, 2015.

<u>Investment Type</u>	<u>Moody's</u>	<u>S&P</u>	<u>Fair Value</u>	<u>Percent of Assets</u>
Short-term issue	Aaa	AAA	\$ 228	0.1%
U.S. Treasury inflation-protected securities	Aaa	AA	<u>427,774</u>	<u>99.9</u>
Total rated investments			<u>\$ 428,002</u>	<u>100.0%</u>

Concentration of Credit Risk – The TIPS Pool is restricted from investing more than 5 percent of the value of the TIPS Pool in any one corporate name. At June 30, 2015, the Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Custodial Credit Risk – At June 30, 2015, the TIPS 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.

Interest Rate Risk – The IMB monitors interest rate risk of the Pool by evaluating the real modified duration of the investments in the TIPS Pool. The following table provides the weighted average real modified duration for the various asset types in this pool as of June 30, 2015.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Real Modified Duration (years)</u>
Short-term issue	\$ 228	0.0
U.S. Treasury inflation-protected securities	<u>427,774</u>	<u>7.9</u>
Total investments	<u>\$ 428,002</u>	<u>7.9</u>

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

Hedge Fund (HF)

The HF Pool holds shares in hedge funds and shares of a money market fund with the highest credit rating. The investments in hedge funds might be indirectly exposed to foreign currency risk, credit risk, interest rate risk, and/or custodial credit risk. The HF Pool is restricted from investing more than 10 percent of the value of the pool with any single manager. At June 30, 2015, the HF Pool was in compliance with this restriction and is not exposed to concentration of credit risk.

Board of Treasury (BTI) Investments

The West Virginia Offices of the Insurance Commissioner is a participant in the BTI WV Money Market Pool. At June 30, 2015, the Operating Fund and AccessWV Fund have \$3,514 and \$4,700, respectively in this pool. The following footnote information pertains to the pool as a whole.

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 West Virginia Legislature established the BTI 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 IMB, which had managed the

West Virginia Offices of the Insurance Commissioner
Notes to Financial Statements
(In thousands)

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 monies 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.

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 75 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 5 percent be invested in securities issued by a single private corporation or association. Further, no less than 15 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 is 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.

The WV Money Market Pool is one of the pools in the Consolidated Fund. It consists of the operating funds of the State, funds held by State agencies and funds from local governments who desire the opportunity to invest with the State. Its purpose is to provide for the investment of all surplus funds and to supply the daily cash needs of the State. The pool is co-managed by JP Morgan Asset Management and UBS Global Asset Management.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The WV Money Market Pool has 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. The WV Money Market Pool is subject to credit risk.

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 West Virginia Money Market Pool's investments:

West Virginia Offices of the Insurance Commissioner
Notes to Financial Statements
(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	P-1	A-1+	\$ 186,737	9.88%
Corporate Bonds and Notes	P-1	A-1	660,027	34.91
	Aa3	A+	10,005	0.53
	Aa3	AA-	10,000	0.53
	Aa3	NR	10,000	0.53
U.S. Agency Bonds	Aaa	AA+	81,994	4.34
U.S. Treasury Notes *	Aaa	AA+	229,760	12.15
U.S. Treasury Bills *	P-1	A-1+	92,059	4.87
Negotiable Certificates of Deposit	Aa2	AA-	10,000	0.53
	P-1	A-1+	51,000	2.70
	P-1	A-1	142,000	7.51
	P-1	A-1+	304,342	16.10
U.S. Agency Discount Notes	Aaa	AAAm	90,017	4.76
Money Market Funds				
Repurchase Agreements (Underlying Securities):				
U.S. Treasury Notes *	Aaa	AA+	1,323	0.07
U.S. Agency Notes	Aaa	AA+	<u>11,200</u>	<u>0.59</u>
			<u>\$ 1,890,464</u>	<u>100.00%</u>

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

5. Leases

The West Virginia Offices of the Insurance Commissioner has lease agreements for its current central office building and various hearing and field offices throughout West Virginia. The West Virginia Offices of 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 West Virginia Offices of the Insurance Commissioner has entered into several such agreements for the use of property and equipment. The West Virginia Offices of 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. Future minimum scheduled rentals under operating leases at June 30, 2015, were as follows:

2016	\$ 1,522
2017	1,288
2018	1,064
2019	99
2020	57
Thereafter	<u>33</u>
Total minimum lease payments	<u>\$ 4,063</u>

Rental expense was \$1,678 for the year ended June 30, 2015.

West Virginia Offices of the Insurance Commissioner
Notes to Financial Statements
(In thousands)

6. 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. West Virginia Offices of the Insurance Commissioner’s management has elected to use discounting for the Workers’ Compensation Funds. Accordingly, the estimated liabilities for unpaid claims and claim adjustment expenses (claims liability) for the Old Fund and the CWPF have been discounted using a rate of 5 percent at June 30, 2015. The claims liabilities of the Uninsured Employers’ Fund and the Self-Insured Employers’ Funds have been discounted at 3 percent at June 30, 2015. The impact of discounting on the stated value of the liabilities is significant.

Based on the composition and characteristics of the remaining proprietary funds, the SEWC and AccessWV claim liabilities are presented on an undiscounted basis.

At June 30, 2015, the total undiscounted claims liability for the West Virginia Offices of the Insurance Commissioner’s Workers’ Compensation Funds approximated \$2.53 billion, and the undiscounted claims liability for the Old Fund approximated \$2.25 billion. The total discounted claims liability for the West Virginia Offices of the Insurance Commissioner’s Workers’ Compensation Funds approximated \$1.57 billion, and the discounted claims liability for the Old Fund approximated \$1.41 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 West Virginia Offices of the Insurance Commissioner’s Workers’ Compensation Funds total discounted claims liability would have increased by approximately \$0.59 billion to a claims liability of approximately \$2.16 billion and the Old Fund’s discounted claims liability would have increased to a claims liability of approximately \$1.99 billion. The West Virginia Offices of the Insurance Commissioner’s Workers’ Compensation Funds total deficit would increase to approximately \$0.55 billion and the Old Funds’ deficit would increase to approximately \$0.68 billion at June 30, 2015.

The following schedule represents the reconciliation of the unpaid claims liability for the West Virginia Offices of the Insurance Commissioner’s Workers’ Compensation Funds, at June 30, 2015, including an analysis of changes in aggregate liabilities for claims and claim adjustment expenses for the year then ended. Losses include claim adjustment expenses. Discounting has been applied at 5 percent for the Old Fund and CWPF and 3 percent for the UEF and SI Funds.

Unpaid claims and claim adjustment expenses at beginning of year	\$ 1,727,400
Claims and claim adjustment expenses:	
Provision for insured events of the current fiscal year	292
Changes in provision for insured events of prior fiscal years	(48,329)
Amortization of discount	<u>81,378</u>
Total claims and claim adjustment expenses	33,341
Payments:	
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	(13)
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>(192,128)</u>
Total payments	<u>(192,141)</u>
Unpaid claims and claim adjustment expenses at end of the year	<u>\$ 1,568,600</u>

West Virginia Offices of the Insurance Commissioner
Notes to Financial Statements
(In thousands)

The following schedule represents the reconciliation of the unpaid claims liability for AccessWV at June 30, 2015, including an analysis of changes in aggregate liabilities for claim and claim adjustment expenses for the year then ended (undiscounted):

Unpaid claims and claim adjustment expenses at beginning of year	\$	70
Claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year		(19)
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current fiscal year		<u>(51)</u>
Unpaid claims and claim adjustment expenses at end of the year	<u>\$</u>	<u>-</u>

The following schedule represents the reconciliation of the unpaid claims liability for SEWC at June 30, 2015, including an analysis of changes in aggregate liabilities for claim and claim adjustment expenses for the year then ended. Liabilities are presented on an undiscounted basis.

Unpaid claims and claim adjustment expenses at beginning of year	\$	12,700
Claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year		10,640
Changes in provision for insured events of prior fiscal years		<u>1,032</u>
Total claims and claim adjustment expenses		<u>11,672</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current fiscal year		(3,547)
Claims and claim adjustment expenses attributable to insured events of prior fiscal years		<u>(6,326)</u>
Total payments		<u>(9,873)</u>
Unpaid claims and claim adjustment expenses at end of the year	<u>\$</u>	<u>14,500</u>

7. 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, the 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, with a date of injury on or before June 30, 2005.

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

West Virginia Offices of the Insurance Commissioner
Notes to Financial Statements
(In thousands)

in addition to the income tax proceeds already dedicated to the debt reduction fund. Other Old Fund 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 \$125 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 West Virginia employers expected to yield approximately \$43 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.

8. Pension Plan

Plan Description - The West Virginia Offices of 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). 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.

Benefits provided - Employees who retire at or after age 60 with five or more years of credited service, or at least age 55 with age and service equal to 80 or greater, are entitled to a retirement benefit established by State statute, payable monthly for life, in the form of a straight-life annuity equal to two percent of the employee's final average salary. Final average salary is the average of the highest annual compensation received by an employee during any period of three consecutive years of credited service included within fifteen years of credited service immediately preceding the termination date of employment with a participating public employer or, if the employee has less than three years of credited service, the average of the annual rate of compensation received by the employee during the total years of credited service. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62.

Contributions - While contribution rates are legislatively determined, actuarial valuations are performed to assist PERS and the State Legislature in determining contribution rates. Current funding policy requires employer contributions of 14.0%, 14.5%, and 14.5% for the years ended June 30, 2015, 2014, and 2013, respectively. For periods prior to July 1, 2015, the employee contribution rate was 4.5%. Effective July 1, 2015 the employee contribution increases to 6.0% for new hires. The West Virginia Offices of the Insurance Commissioner's contribution to the Plan, excluding the employee's contribution paid by the West Virginia Offices of the Insurance Commissioner, approximated \$1,628, \$1,833, and \$1,832 for the fiscal years ended June 30, 2015, 2014, and 2013, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the West Virginia Offices of the Insurance Commissioner reported a liability of \$3,484 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to the measurement date of June 30, 2014. The West Virginia Offices of the Insurance Commissioner's proportion of the net pension liability was based on the West Virginia Offices of the Insurance Commissioner's share of contributions to the pension plan relative to the contributions of all employers participating in PERS for the year ended June 30, 2014. At June 30, 2014, the West Virginia Offices of the Insurance Commissioner's proportionate share was 0.94%, which was a decrease of .04% from its proportionate share measured as of June 30, 2013.

West Virginia Offices of the Insurance Commissioner
Notes to Financial Statements
(In thousands)

For the year ended June 30, 2015, the West Virginia Offices of the Insurance Commissioner recognized pension expense of \$325. At June 30, 2015, the West Virginia Offices of the Insurance Commissioner reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 3,686
Changes in proportion and differences between West Virginia Offices of the Insurance Commissioner contributions and proportionate share of contributions	-	233
West Virginia Offices of the Insurance Commissioner contributions subsequent to the measurement date	<u>1,628</u>	<u>-</u>
Total	<u>\$ 1,628</u>	<u>\$ 3,919</u>

\$1,628 reported as deferred outflows of resources related to pensions resulting from West Virginia Offices of the Insurance Commissioner contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2016	\$ 918
2017	918
2018	918
2019	918
2020	247
Thereafter	-

Actuarial assumptions and methods - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.2%
Salary increases	4.25 – 6.0%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense

Mortality rates were based on the 1983 Group Annuity Mortality (GAM) for healthy males, 1971 GAM for healthy females, 1971 GAM for disabled males, and Revenue Ruling 96-7 for disabled females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 through June 30, 2009.

Long-term expected rates of return - The long-term rates of return on pension plan investments were determined using a building-block method in which estimates of expected real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

West Virginia Offices of the Insurance Commissioner
Notes to Financial Statements
(In thousands)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	15.0%	2.9 – 4.8%
Domestic Equity	27.5%	7.6%
International Equity	27.5%	8.5%
Real Estate	10.0%	6.8%
Private Equity	10.0%	9.9%
Hedge Funds	10.0%	5.0%
Total	100.0%	

Discount rate - The discount rate used to measure the total pension liability was 7.5%. The projections of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions from employers will continue to be made at statutorily required rates, which are determined annually based on actuarial valuations. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability. Although discount rates are subject to change between measurement dates, there were no changes in the discount rate in the current period.

Sensitivity of the West Virginia Offices of the Insurance Commissioner's proportionate share of the net pension liability to changes in the discount rate - The following table presents the West Virginia Offices of the Insurance Commissioner's proportionate share of the net pension liability calculated using the current discount rate of 7.5% as well as the West Virginia Offices of the Insurance Commissioner's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	Total Net Pension Liability		
	1% Decrease	Discount Rate	1% Increase
	6.5%	7.5%	8.5%
PERS	\$ 9,845	\$ 3,484	\$ (1,936)

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

9. 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 West Virginia Offices of 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 West Virginia Offices of 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.

West Virginia Offices of the Insurance Commissioner
Notes to Financial Statements
(In thousands)

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 cannot be estimated.

Risk Management

The West Virginia Offices of 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 West Virginia Offices of the Insurance Commissioner has obtained health coverage for its employees through its participation in PEIA. In exchange for the payment of premiums to PEIA, the West Virginia Offices of the Insurance Commissioner has transferred its risk related to health coverage for employees. Additionally, the West Virginia Offices of the Insurance Commissioner obtained coverage for job-related injuries through participation in the SEWC. The SEWC is a public entity risk pool formulated to facilitate the purchase of workers' compensation insurance for all state agencies. Effective October 1, 2011, workers' compensation insurance for the SEWC was purchased from Zurich. See Note 10 for additional information about the SEWC.

The West Virginia Offices of 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 West Virginia Offices of the Insurance Commissioner. This coverage is offered in exchange for an annual premium.

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

During the normal course of operations, the West Virginia Offices of the Insurance Commissioner incurs certain routine claims. The legal counsel for the West Virginia Offices of 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 potential losses from these claims.

The West Virginia Offices of the Insurance Commissioner is defending the Old Fund against claims from two self-insured employers who have requested refunds for overpayments made on self-insured claims. Pre Senate Bill 2013 law did permit self-insured employers to seek reimbursement from the former WCC for overpayments made on claims, and then permitted the former WCC in turn to seek reimbursement from the claimant. This section of the West Virginia code was eliminated effective July 1, 2003 when self-insured employers were given the right to administer their own claims. It is important to note that if these employers are successful; their success could generate a number of requests from other self-insured employers with similar requests. The West Virginia Offices of the Insurance Commissioner cannot express a probability of outcome of this litigation, nor can it make a reasonable estimate of the total amount of cash that would become impaired if the self-insured employers would prevail in litigation on this matter.

The West Virginia Offices of the Insurance Commissioner is also involved in various other litigation, challenging certain settlements, interpretations of provisions of the State code, and other matters. It is not possible at the present time to estimate the ultimate legal and financial liability, if any, with respect to these lawsuits. Depending on the amount and timing of such resolution, an unfavorable resolution of some or all of these matters could materially affect the future financial position, results of operations, or cash flows in a particular period.

West Virginia Offices of the Insurance Commissioner
Notes to Financial Statements
(In thousands)

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.

10. State Entities Workers' Compensation Program Fund

On March 12, 2011, the West Virginia legislature passed HB 3163, an amendment to the Code of West Virginia, adding a new section designated §33-2-21a, in order to establish a program to provide workers' compensation coverage of state government entities and their employees. HB 3163 established the SEWC and defined participants and exceptions thereto. It also designated the West Virginia Offices of the Insurance Commissioner to manage workers' compensation risks of state entities participating in the program. Code §33-2-21a further authorized the West Virginia Offices of the Insurance Commissioner to assess fees, surcharges and premiums.

The SEWC is a public entity risk pool and is further defined as an insurance purchasing pool, which is an arrangement by which government entities pool funds or resources to purchase commercial insurance products.

In fiscal year 2012, pursuant to the provisions of HB 3163, the enabling legislation for the SEWC, the West Virginia Offices of the Insurance Commissioner's Operating Fund transferred \$21,655 to the SEWC. The transfer was made in order to provide the initial funding for the program. The amount transferred may be repaid over time. No payments were received during fiscal year 2015. However, in September 2015, the first repayment of the loan was made and \$5,000 was transferred back to the Operating Fund.

From July 1, 2011 through September 30, 2011, the SEWC purchased workers' compensation insurance from BrickStreet Mutual Insurance Company on a guaranteed cost basis. On October 1, 2011, The SEWC entered into a high deductible insurance coverage policy with Zurich. Pursuant to the policy provisions in the insurance arrangement, the SEWC has transferred the risk for losses in excess of a two hundred fifty thousand dollar deductible to Zurich and the SEWC retains the loss exposure up to the two hundred fifty thousand dollar per occurrence deductible limit. The SEWC has provided for these losses by establishing a Loss Reserve Fund with Zurich. Zurich will pay statutory benefits for all losses incurred by the SEWC up to the deductible limit from the Loss Reserve Fund. Zurich will provide claims management services for all claims.

Beginning eighteen months after the policy effective date and at a minimum annually thereafter, adjustments to the Loss Reserve Fund will be calculated in accordance with a formula as set forth in the policy. During fiscal year 2015, the SEWC received credits of \$202 for the Loss Reserve Fund in accordance with the adjustment formula.

Premiums received from pool participants were \$18,747, while premiums paid for insurance coverage were \$5,247, during the year ended June 30, 2015, resulting in net premiums of \$13,500. The Loss Reserve Fund balance at June 30, 2015 was \$17,836.

Required Supplementary Information

Supplementary Revenue and Reserve Development Information

GASB standards require the presentation of ten years supplementary revenue and reserve development information, if available. The table on the following page illustrates how the West Virginia Offices of 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. AccessWV and SEWC information is presented since inception, which is less than 10 years.

The rows of the table are defined as follows:

- 1) This row shows the total of each fiscal year's total income, which includes operating revenues, statutory allocations, and investment income.
- 2) This row shows each fiscal year's other operating costs.
- 3) This row 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 years 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 row 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 supplementary revenue and reserve development information has been prepared by the West Virginia Offices of the Insurance Commissioner's consulting actuary using assumptions and other data furnished by the West Virginia Offices of 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
Supplementary Revenue and Reserve Development Information -
Workers' Compensation Fund, Coal Workers' Pneumoconiosis Fund, Self Insured Funds, Uninsured Fund
(In Millions)

	Fiscal and Policy Year Ended June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Operating Revenues	\$ 57.0	\$ 221.2	\$ 271.7	\$ 50.0	\$ 50.7	\$ 52.1	\$ 54.5	\$ 54.9	\$ 45.2	\$ 46.3
Statutory Allocations	137.0	41.0	11.0	229.8	198.4	200.8	199.0	203.6	215.9	231.3
Investment Income (Loss)	4.4	109.0	(5.2)	(89.2)	129.9	109.0	39.5	65.4	125.0	14.9
Total Income (1)	198.4	371.2	277.5	190.6	379.0	361.9	293.0	323.9	386.1	292.5
Other expenses (2)	51.3	23.5	24.6	20.0	20.2	20.0	18.4	15.3	12.2	11.2
Original Incurred Loss (3)	0.6	2.7	0.7	1.0	1.5	0.4	0.8	0.8	0.5	0.3
Cumulative Payments (4):										
Year 1	-	0.2	0.1	0.1	0.1	-	0.1	0.1	0.1	-
Year 2	0.4	0.7	0.3	0.2	0.4	0.1	0.2	0.3	0.2	
Year 3	0.6	1.1	0.4	0.3	0.6	0.2	0.3	0.7		
Year 4	0.9	1.3	0.4	0.3	0.6	0.2	0.3			
Year 5	1.2	2.2	0.4	0.3	0.7	0.3				
Year 6	1.5	2.4	0.4	0.4	0.8					
Year 7	1.7	2.5	0.5	0.4						
Year 8	1.9	2.5	0.6							
Year 9	6.2	2.6								
Year 10	6.4									
Re-estimated Incurred Claims and Expenses (5):										
Year 1	0.6	2.7	0.7	1.0	1.5	0.4	0.8	0.8	0.5	0.3
Year 2	3.1	1.9	0.6	0.6	0.9	0.6	0.3	1.0	0.4	
Year 3	3.2	3.8	0.5	0.6	1.6	0.6	0.5	1.0		
Year 4	3.8	4.7	0.5	0.4	1.8	0.7	0.4			
Year 5	3.6	5.3	0.9	0.5	1.8	0.7				
Year 6	1.6	4.0	0.7	0.4	1.7					
Year 7	3.7	3.2	0.7	0.4						
Year 8	3.8	3.2	1.0							
Year 9	10.1	3.1								
Year 10	9.3									
(Decrease) Increase in Estimated Incurred Claims and Expense from end of Policy Year (6)	8.7	0.4	0.3	(0.6)	0.2	0.3	(0.4)	0.2	(0.1)	-

West Virginia Offices of the Insurance Commissioner
Supplementary Reconciliation of Claims Liabilities by Type of Contract Information -
Workers' Compensation Information
(In Thousands)

The table below presents WC Old Fund and CWPf changes in claims liabilities discounted at 5 percent. The Uninsured Employers Fund and the Self-Insured Funds are discounted at 3 percent. Losses include claim adjustment expenses.

	Fiscal and Policy Year Ended June 30, 2015				
	<u>WC Old Fund</u>	<u>CWPf</u>	<u>UEF</u>	<u>Funds</u>	<u>Total</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 1,569,500	\$ 144,800	\$ 2,100	\$ 11,000	\$ 1,727,400
Claims and claim adjustment expenses					
Provision for insured events of the current fiscal year	-	-	216	76	292
Changes in provision for insured events of prior fiscal years	(60,105)	10,047	(280)	2,009	(48,329)
Amortization of discount	74,065	6,944	54	315	81,378
Total claims and claim adjustment expenses	<u>13,960</u>	<u>16,991</u>	<u>(10)</u>	<u>2,400</u>	<u>33,341</u>
Payments					
Claims and claim adjustment expenses attributable to insured events of current fiscal year	-	-	(13)	-	(13)
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	(178,560)	(11,991)	(577)	(1,000)	(192,128)
Total payments	<u>(178,560)</u>	<u>(11,991)</u>	<u>(590)</u>	<u>(1,000)</u>	<u>(192,141)</u>
Total unpaid claims and claim adjustment expenses at end of the year	<u>\$ 1,404,900</u>	<u>\$ 149,800</u>	<u>\$ 1,500</u>	<u>\$ 12,400</u>	<u>\$ 1,568,600</u>

West Virginia Offices of the Insurance Commissioner
Supplementary Revenue and Reserve Development Information - AccessWV
June 30, 2015
(In Thousands)

	Fiscal and Policy Year Ended June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Premiums	\$ 739	\$ 2,094	\$ 3,121	\$ 3,893	\$ 4,619	\$ 5,366	\$ 5,096	\$ 5,814	\$ 3,809	\$ -
Investment Income	136	265	358	128	(18)	316	201	(6)	58	3
Total Premium and Investment Income (1)	875	2,359	3,479	4,021	4,601	5,682	5,297	5,808	3,867	3
Other Expenses (2)	389	227	328	365	325	377	368	401	399	8
Original Incurred Loss (3)	734	1,469	2,696	3,165	4,238	6,337	6,480	8,700	6,810	(19)
Fiscal Year Payments (4):	314	1,609	2,676	3,155	3,998	6,167	6,330	8,360	7,950	51

West Virginia Offices of the Insurance Commissioner
Supplementary Reconciliation of Claims Liabilities by Type of Contract Information - AccessWV
June 30, 2015
(In Thousands)

The table below presents AccessWV changes in claims liabilities, including claim adjustment expenses.

	Fiscal and Policy Year Ended June 30, 2015
Unpaid claims and claim adjustment expenses at beginning of year	\$ 70
Claims and claim adjustment expenses	
Provision for insured events of the current fiscal year	(19)
Payments	
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	(51)
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ -</u>

West Virginia Offices of the Insurance Commissioner
Supplementary Revenue and Reserve Development Information - State Entities
Workers' Compensation Program
(In Thousands)

	Fiscal and Policy Years Ended June 30			
	2012	2013	2014	2015
Premium Revenue Earned	\$ 21,645	\$ 18,467	\$ 20,691	\$ 18,747
Premiums Paid to Insurance Companies	(10,444)	(4,267)	(4,989)	(5,247)
Total Income/Net Premiums (1)	11,201	14,200	15,702	13,500
Other Expenses (2)	90	1,700	1,390	1,836
Original Incurred Loss (3)	8,894	11,978	10,198	10,641
Cumulative Payments (4)				
Year 1	2,058	4,402	3,568	3,547
Year 2	5,763	7,943	7,881	
Year 3	7,150	9,489		
Year 4	7,617			
Re-estimated Incurred Claims and Expenses (5)				
Year 1	8,894	11,978	10,198	10,641
Year 2	9,488	11,954	11,383	
Year 3	9,208	12,006		
Year 4	9,004			
(Decrease) Increase in Estimated Incurred Claims and Expense from End of Policy Year (6)	<u>\$ 110</u>	<u>\$ 28</u>	<u>\$ 1,185</u>	<u>\$ -</u>

West Virginia Offices of the Insurance Commissioner
Supplementary Reconciliation of Claims Liabilities by Type of Contract Information -
State Entities Workers' Compensation Program
(In Thousands)

The table below presents State Entities Workers' Compensation changes in claims liabilities, including claim adjustment expenses.

	Fiscal and Policy Year Ended June 30, 2015
Unpaid claims and claim adjustment expenses at beginning of year	<u>\$ 12,700</u>
Claims and claim adjustment expenses	
Provision for insured events of the current fiscal year	10,640
Changes in provision for insured events of prior fiscal years	1,032
Total claims and claim adjustment expenses	<u>11,672</u>
Payments	
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	(3,547)
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	(6,326)
Total payments	<u>(9,873)</u>
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 14,500</u>

West Virginia Offices of the Insurance Commissioner
Supplementary Schedule of Proportionate Share of the Net Pension Liability - PERS
Last Two Fiscal Years*
(In Thousands)

	<u>2015</u>	<u>2014</u>
WVOIC's proportionate (percentage) of the net pension liability	0.9440%	0.9775%
WVOIC's proportionate share of the net pension liability	\$ 3,484	\$ 8,911
WVOIC's covered-employee payroll	\$ 17,604	\$ 17,961
WVOIC's proportionate share of the net pension's liability as a percentage of its covered-employee payroll	19.79%	49.61%
Plan fiduciary net position as a percentage of the total pension liability ***	93.98%	**

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** Information was not available

*** This will be the same percentage for all participant employers in the PERS plan.

NOTE A - Trend Information Presented

The accompanying schedule of the WVOIC's proportionate share of the net pension liability is required supplementary information to be presented for 10 years. However, until a full 10 year trend is compiled, information is presented in the schedule for those years for which information is available.

**West Virginia Offices of the Insurance Commissioner
Supplementary Schedule of Contributions - PERS
Last Three Fiscal Years
(In Thousands)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 1,628	\$ 1,833	\$ 1,832
Contributions in relation to the contractually required contribution	<u>(1,628)</u>	<u>(1,833)</u>	<u>(1,832)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 17,604	\$ 17,961	\$ 18,330
Contributions as a percentage of covered-employee payroll	9.25%	10.21%	9.99%

NOTE A - Trend Information Presented

The accompanying schedules of the WVOIC's proportionate share of the contributions to PERS is required supplementary information to be presented for 10 years. However, until a full 10 year trend is compiled, information is presented in the schedule for those years for which information is available.

West Virginia Offices of the Insurance Commissioner
Supplementary Budgetary Comparison Schedule - Operating Fund
For the Fiscal Year Ended June 30, 2015
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget</u>
Revenues:				
2015 Revenue	\$ 56,196	\$ 56,196	\$ 43,689	\$ (12,507)
Total Revenue Available for Appropriation	56,196	56,196	43,689	(12,507)
Expenditures:				
Personal Services	18,490	18,490	13,081	5,409
Employee Benefits	8,546	8,546	4,741	3,805
Contractual and Professional	15,934	15,934	5,989	9,945
Claims	50	50	-	50
Intrafund Transactions	-	-	252	(252)
Other Expenditures	10,232	10,232	5,344	4,888
Total Expenditures Charged to Appropriation	53,252	53,252	29,407	23,845
Excess of Revenue Over Expenditures	2,944	2,944	14,282	11,338
Interfund Transfers	-	-	(34)	(34)
Reappropriation to the State of WV General Fund	-	-	(16,700)	(16,700)
Budgetary Fund Balance, Beginning of Year	84,246	64,095	48,961	(15,134)
Budgetary Fund Balance, June 30, 2015	\$ 87,190	\$ 67,039	\$ 46,509	\$ (20,530)

Note to Budgetary Comparison Schedule:

Budgetary Reporting and GAAP

Because the budgetary basis differs from accounting principles generally accepted in the United States, budget and actual amounts in the accompanying Budgetary Comparison Schedule are presented on the budgetary basis. A more detailed budgetary basis report is produced for internal purposes to demonstrate budgetary compliance and is available at the West Virginia Offices of the Insurance Commissioner. A reconciliation that compares the total revenues and total expenditures on a budgetary basis for the year ended June 30, 2015, to comparable amounts presented in conformity with accounting principles generally accepted in the United States is set forth in the schedule on page 54.

West Virginia Offices of the Insurance Commissioner
Supplementary Budgetary Comparison Schedule - Budget-to-GAAP
Reconciliation - Operating Fund
For the Fiscal Year Ended June 30, 2015
(In Thousands)

	<u>Operating Funds</u>
SOURCES/INFLOWS OF RESOURCES	
Actual amounts (budgetary basis) "total revenue available for appropriation" from the budgetary comparison schedule	\$ 43,689
Differences-Budget to GAAP:	
Intrafund transactions not included in GAAP revenues	(252)
Reversal of prior year accruals	(5,786)
Accruals booked for current year	<u>5,947</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u>\$ 43,598</u>
USES/OUTFLOWS OF RESOURCES	
Actual amounts (budgetary basis) "total expenditures charged to appropriations" from the budgetary comparison schedule	\$ 29,407
Differences-Budget to GAAP:	
Intrafund transactions not included in GAAP expenditures	(252)
Reversal of prior year accruals	(1,825)
Accruals booked for current year	<u>2,163</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance governmental funds	<u>\$ 29,493</u>

Other Financial Information

West Virginia Offices of the Insurance Commissioner
Schedule of Net Position (Deficit) - Workers' Compensation Information
June 30, 2015
(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>
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 1,295,888	\$ 261,420	\$ 11,995	\$ 24,917	\$ 1,594,220
Receivables, Net:					
Statutory Allocations	10,897	-	-	-	10,897
Assessments	-	-	62	-	62
Employer Surcharge	9,008	-	-	-	9,008
Premiums	10	-	-	-	10
Total Current Assets	<u>1,315,803</u>	<u>261,420</u>	<u>12,057</u>	<u>24,917</u>	<u>1,614,197</u>
Total Assets	<u>1,315,803</u>	<u>261,420</u>	<u>12,057</u>	<u>24,917</u>	<u>1,614,197</u>
LIABILITIES					
Current Liabilities:					
Estimated Liability for Unpaid Claims and Claim Adjustment Expense	166,400	15,800	300	1,800	184,300
Accrued Expenses and Other Liabilities	1,357	67	-	10	1,434
Total Current Liabilities	<u>167,757</u>	<u>15,867</u>	<u>300</u>	<u>1,810</u>	<u>185,734</u>
Noncurrent Liabilities:					
Estimated Liability for Unpaid Claims and Claim Adjustment Expense	1,238,500	134,000	1,200	10,600	1,384,300
Total Noncurrent Liabilities	<u>1,238,500</u>	<u>134,000</u>	<u>1,200</u>	<u>10,600</u>	<u>1,384,300</u>
Total Liabilities	<u>1,406,257</u>	<u>149,867</u>	<u>1,500</u>	<u>12,410</u>	<u>1,570,034</u>
Net position:					
Restricted for:					
Coal Workers' Pneumoconiosis	-	111,553	-	-	111,553
Uninsured Fund	-	-	10,557	-	10,557
Self-Insured Fund	-	-	-	12,507	12,507
Unrestricted (Deficit)	<u>(90,454)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(90,454)</u>
Total Net Position (Deficit)	<u>\$ (90,454)</u>	<u>\$ 111,553</u>	<u>\$ 10,557</u>	<u>\$ 12,507</u>	<u>\$ 44,163</u>

West Virginia Offices of the Insurance Commissioner
Schedule of Revenues, Expenses, and Change in Fund Net Position (Deficit) - Workers' Compensation
Information
For the Fiscal Year Ended June 30, 2015
(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>
Operating Revenues					
Assessments	\$ 42,634	\$ -	\$ 695	\$ 2,629	\$ 45,958
Premium Revenue, Net	314	-	-	-	314
Other Operating Revenue	35	-	-	-	35
Total Operating Revenue	<u>42,983</u>	<u>-</u>	<u>695</u>	<u>2,629</u>	<u>46,307</u>
Operating Expenses and Claims Provision					
Claims and Claim Adjustment Provision (See Note 5)	13,960	16,991	(10)	2,400	33,341
General and Administration	10,090	862	172	75	11,199
Total Operating Expenses and Claims Provision	<u>24,050</u>	<u>17,853</u>	<u>162</u>	<u>2,475</u>	<u>44,540</u>
Operating (Loss) Income	<u>18,933</u>	<u>(17,853)</u>	<u>533</u>	<u>154</u>	<u>1,767</u>
Nonoperating Revenues					
Investment Earnings	9,667	4,678	185	414	14,944
Lottery Revenue	11,000	-	-	-	11,000
Personal Income Tax	95,400	-	-	-	95,400
Severance Tax	124,855	-	-	-	124,855
Total Nonoperating Revenues	<u>240,922</u>	<u>4,678</u>	<u>185</u>	<u>414</u>	<u>246,199</u>
Change in Net Position (Deficit)	259,855	(13,175)	718	568	247,966
Total Net Position (Deficit) - Beginning of Year	<u>(350,309)</u>	<u>124,728</u>	<u>9,839</u>	<u>11,939</u>	<u>(203,803)</u>
Total Net Position (Deficit) - End of Year	<u>\$ (90,454)</u>	<u>\$ 111,553</u>	<u>\$ 10,557</u>	<u>\$ 12,507</u>	<u>\$ 44,163</u>

West Virginia Offices of the Insurance Commissioner
Schedule of Cash Flows - Workers' Compensation Information
For the Fiscal Year Ended June 30, 2015
(In Thousands)

	WC Old Fund Debt Reduction	Coal Workers' Pneumoconiosis	Uninsured Fund	Self-Insured Funds	Total
Cash Flows from Operating Activities					
Receipts from Fees and Assessments	\$ 42,966	\$ -	\$ 44	\$ 2,629	\$ 45,639
Receipts from Employers	322	-	711	-	1,033
Receipts from Other Operating Revenue	35	-	-	-	35
Payments to Claimants and Providers	(178,560)	(11,991)	(590)	(1,000)	(192,141)
Payments to Employees	(26)	-	-	-	(26)
Payments to Suppliers	(10,035)	(873)	(173)	(70)	(11,151)
Net Cash (Used in) Provided by Operating Activities	<u>(145,298)</u>	<u>(12,864)</u>	<u>(8)</u>	<u>1,559</u>	<u>(156,611)</u>
Cash Flows from Noncapital Financing Activities					
Statutory Allocations	<u>232,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>232,104</u>
Net Cash Provided by Noncapital Financing Activities	<u>232,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>232,104</u>
Cash Flows from Investing Activities					
Investment Earnings	<u>9,667</u>	<u>4,678</u>	<u>185</u>	<u>414</u>	<u>14,944</u>
Net Cash Provided by Investing Activities	<u>9,667</u>	<u>4,678</u>	<u>185</u>	<u>414</u>	<u>14,944</u>
Net Increase in Cash and Cash Equivalents	96,473	(8,186)	177	1,973	90,437
Cash and Cash Equivalents - Beginning of Year	<u>1,199,415</u>	<u>269,606</u>	<u>11,818</u>	<u>22,944</u>	<u>1,503,783</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,295,888</u>	<u>\$ 261,420</u>	<u>\$ 11,995</u>	<u>\$ 24,917</u>	<u>\$ 1,594,220</u>
Reconciliation of Operating (Loss) Income to Net Cash provided by (used in) Operating Activities:					
Operating Income (Loss)	\$ 18,933	\$ (17,853)	\$ 533	\$ 154	\$ 1,767
Adjustments to Reconcile Operating (Loss) Income to Net Cash provided by (used in) Operating Activities:					
Net Change in Assets and Liabilities					
Receivables, Net	339	-	60	-	399
Estimated Liability for Claims and Claim Adjustment Expenses	(164,600)	5,000	(600)	1,400	(158,800)
Accrued Expenses and Other Liabilities	<u>30</u>	<u>(11)</u>	<u>(1)</u>	<u>5</u>	<u>23</u>
Net Cash (Used in) Provided by Operating Activities	<u>\$ (145,298)</u>	<u>\$ (12,864)</u>	<u>\$ (8)</u>	<u>\$ 1,559</u>	<u>\$ (156,611)</u>

Independent Auditor's Report on Internal Control

Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of The Financial Statements Performed In Accordance With *Government Auditing Standards*

West Virginia Offices of the Insurance Commissioner
Charleston, West Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the 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, 2015 and the related notes to the financial statements, which collectively comprise the West Virginia Offices of the Insurance Commissioner's basic financial statements, and have issued our report thereon dated October 14, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the West Virginia Offices of the Insurance Commissioner's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the West Virginia Offices of the Insurance Commissioner's internal control. Accordingly, we do not express an opinion on the effectiveness of the West Virginia Offices of the Insurance Commissioner's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the West Virginia Offices of the Insurance Commissioner's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and,



accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the West Virginia Offices of the Insurance Commissioner's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the West Virginia Offices of the Insurance Commissioner's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dixon Hughes Goodman LLP

**Charleston, West Virginia
October 14, 2015**