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FILED
JUL 05 2017
Department of Insurance
State of Idaho

BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE

STATE OF IDAHO

In the Matter of:	Docket No. 18-3338-17
IDAHO COUNTIES RISK MANAGEMENT PROGRAM, UNDERWRITERS Certificate of Authority No. 1674 NAIC No. 36480	**ORDER ADOPTING REPORT OF EXAMINATION AS OF DECEMBER 31, 2014**

The State of Idaho, Department of Insurance ("Department"), having conducted an examination of the affairs, transactions, accounts, records, and assets of Idaho Counties Risk Management Program, Underwriters ("ICRMP"), pursuant to Idaho Code § 41-219(1) and (5), hereby alleges the following facts that constitute a basis for issuance of an order, pursuant to Idaho Code § 41-227(5)(a), adopting the Report of Examination of Idaho Counties Risk Management Program, Underwriters as of December 31, 2014 ("Report"), as filed.

FINDINGS OF FACT

1. ICRMP is an Idaho-domiciled reciprocal insurer, organized under a joint powers

agreement pursuant to chapter 23, title 67, and chapter 29, title 41, Idaho Code. ICRMP is authorized to transact property and casualty insurance, excluding workers' compensation, in Idaho under Certificate of Authority No. 1674.

2. The Department completed an examination of ICRMP pursuant to Idaho Code § 41-219(1) and (5) on or about May 8, 2017. The Department's findings are set forth in the Report.

3. Pursuant to Idaho Code § 41-227(4), a copy of the Report, verified under oath by the Department's examiner-in-charge, was filed with the Department on May 8, 2017, and a copy was transmitted to ICRMP on May 9, 2017. A copy of the verified Report is attached hereto as Exhibit A.

4. Pursuant to Idaho Code § 41-227(4), ICRMP had thirty (30) days from May 9, 2017, to make a written submission or rebuttal with respect to any matters contained in the Report. No such written submissions or rebuttals were received by the Department from ICRMP.

CONCLUSIONS OF LAW

5. Idaho Code § 41-227(5)(a) provides that "[w]ithin thirty (30) days of the end of the period allowed for the receipt of written submissions or rebuttals, the director shall fully consider and review the report, together with any written submissions or rebuttals and relevant portions of the examiner's work papers" and shall enter an order adopting the report of examination as filed or with modifications or corrections.

6. Having fully considered the Report, the Director concludes that ICRMP appears to meet the qualifications for maintaining a certificate of authority, pursuant to chapter 29, title 41, Idaho Code.

ORDER

NOW, THEREFORE, based on the foregoing, IT IS HEREBY ORDERED that the Report of Examination of Idaho Counties Risk Management Program, Underwriters as of December 31, 2014, is hereby ADOPTED as filed, pursuant to Idaho Code § 41-227(5)(a).

IT IS FURTHER ORDERED, pursuant to Idaho Code § 41-227(8), that the adopted Report is a public record and shall not be subject to the exemptions from disclosure provided in chapter 1, title 74, Idaho Code.

IT IS FURTHER ORDERED, pursuant to Idaho Code § 41-227(6)(a), that, within thirty (30) days of the issuance of the adopted Report, ICRMP shall file with the Department's Chief Deputy Examiner affidavits executed by each of its directors stating under oath that they have received a copy of the adopted Report and related orders.

IT IS SO ORDERED.

DATED this 5 day of July, 2017.

STATE OF IDAHO
DEPARTMENT OF INSURANCE

DEAN L. CAMERON
Director

NOTIFICATION OF RIGHTS

This Order constitutes a final order of the Director. Any party may file a motion for reconsideration of this final order within fourteen (14) days of the service date of this order. The Director will dispose of the petition for reconsideration within twenty-one (21) days of its receipt, or the petition will be considered denied by operation of law. *See*, Idaho Code § 67-5246(4).

Pursuant to Idaho Code §§ 67-5270 and 67-5272, any party aggrieved by this final order may appeal it by filing a petition for judicial review in the district court of the county in which: (1) the hearing was held; or (2) the final agency action was taken; or (3) the aggrieved party resides or operates its principal place of business in Idaho; or (4) the real property or personal property that was the subject of the agency decision is located. An appeal must be filed within twenty-eight (28) days of: (a) the service date of this final order; or (b) an order denying a petition for reconsideration; or (c) the failure within twenty-one (21) days to grant or deny a petition for reconsideration, whichever is later. *See*, Idaho Code § 67-5273. The filing of a petition for judicial review does not itself stay the effectiveness or enforcement of the order under appeal.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that, on this 5th day of July, 2017, I caused a true and correct copy of the foregoing ORDER ADOPTING REPORT OF EXAMINATION AS OF DECEMBER 31, 2014, to be served upon the following by the designated means:

Idaho Counties Risk Management Program, Underwriters Richard Ferguson, Executive Director Tim Osborne, Controller 3100 Vista Avenue, Ste. 300 Boise, ID 83705 TOsborne@icrmp.org	☐ first class mail ☒ certified mail ☐ hand delivery ☒ email
Hermoliva Abejar Chief Deputy Examiner Idaho Department of Insurance 700 W. State Street, 3rd Floor Boise, ID 83720-0043 hermoliva.abejar@doi.idaho.gov	☐ first class mail ☐ certified mail ☐ hand delivery ☒ email
Judy L. Geier Deputy Attorney General Idaho Department of Insurance 700 W. State Street, 3rd Floor P.O. Box 83720 Boise, ID 83720-0043	☐ first class mail ☐ certified mail ☒ hand delivery ☐ email

DEPARTMENT OF INSURANCE

STATE OF IDAHO

REPORT OF EXAMINATION

Of

IDAHO COUNTIES RISK MANAGEMENT PROGRAM, UNDERWRITERS
(Property and Casualty)
(NAIC Company Code: 36480)
As of

December 31, 2014

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Boise, Idaho
March 3, 2017

The Honorable Dean L. Cameron
Director of Insurance
State of Idaho
700 West State Street
P.O. Box 83720
Boise, Idaho 83720-0043

Dear Director:

Pursuant to your instructions, in compliance with Idaho Code § 41-219(1), and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2014, of the financial condition and corporate affairs of:

IDAHO COUNTIES RISK MANAGEMENT PROGRAM, UNDERWRITERS
3100 Vista Ave, Suite 300, Boise, Idaho 83705

Hereinafter referred to as "ICRMP", at its offices in Boise, Idaho. The following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

We have performed our examination of Idaho Counties Risk Management Program, Underwriters, a property and casualty insurer licensed to write business in the State of Idaho. The last examination was completed as of December 31, 2009. This examination covers the period of January 1, 2010 through December 31, 2014.

Examination Procedures Employed

Our examination was conducted in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook to determine compliance with

accounting practices and procedures in conformity with the applicable laws of the State of Idaho, and insurance rules promulgated by the Idaho Department of Insurance (Department). The handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Program by obtaining information about ICRMP including corporate governance, identifying and assessing inherent risks within ICRMP and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles (SSAPs) and annual Statement instructions when applicable to domestic state regulations.

ICRMP retained the services of a certified public accounting firm, Johnson Lambert LLP, to audit its financial records for the years 2011 through 2014. Shores, Tagman, Butler & Company, P.A. audited ICRMP in 2010. On a letter received on August, 2, 2011, ICRMP notified the Director that it no longer engaged the services of CPA firm, Shores, Tagman, Butler & Company, P.A effective August 1, 2011.

Johnson Lambert LLP allowed the examiners access to requested work papers prepared in connection with its audits. The external audit work was relied upon where deemed appropriate.

All accounts and activities of ICRMP were considered in accordance with the risk-focused examination process. The initial phase of the examination focused on evaluating ICRMP's corporate governance and control environment, as well as business approach, in order to develop an examination plan tailored to ICRMP's individual operating profile. A risk-focused approach was determined appropriate.

The examination determined the risks associated with identified key functional areas of ICRMP's operation and considered mitigating factors. Interviews were held with the senior management of ICRMP to gain an understanding of the entity's operating profile and control environment.

The examination relied on the findings of the actuarial firm contracted by the Department to verify loss and loss adjustment expense and reserves.

A letter of representation certifying that management disclosed all significant matters and records was obtained from management and included in the examination working papers.

Status of Prior Examination Findings

Our examination included a review to determine the current status of the eight exception conditions commented upon in our preceding Report of Examination, dated March 23, 2011 which covered the period from January 1, 2005 to December 31, 2009. We determined that ICRMP had satisfactorily addressed all of those exception conditions.

SUMMARY OF SIGNIFICANT FINDINGS

Our examination did not disclose any material adverse findings or any adjustments that impacted ICRMP's reported surplus.

SUBSEQUENT EVENTS

We noted no significant subsequent events as of the date of this report.

HISTORY

ICRMP was organized pursuant to the Joint Powers Act, under the authority of Idaho Code §§ 67-2326 to 67-2333. It commenced business operations on November 29, 1985.

The original business name of the entity was "Idaho Counties Reciprocal Management Program," and it was recognized and treated as an "insurance fund," and as an extension of the Idaho Association of Counties (IAC). It was subsequently determined that ICRMP would be required to be licensed as an insurer and separate entity, pursuant to Title 41, Chapter 29, Idaho Code. On February 1, 1986 it was issued a certificate of authority to write all property and casualty lines of business excluding workers compensation.

By resolution of the Board of Trustees, effective October 6, 1993, "Reciprocal" was deleted from the original business name and replaced with "Risk." On December 16, 1993, "Underwriters" was added to the name in order to comply with Idaho Code § 41-2905(1). The full business name of the entity, as revised, became and is currently known as "*Idaho Counties Risk Management Program, Underwriters*."

ICRMP was founded for the purpose of providing property and casualty insurance coverages for public agencies of the State of Idaho. The original Joint Powers Agreement granted ICRMP authority to plan, organize, direct, control, and finance the Program, allowing for additional coverage to be obtained through reinsurance companies.

"Public Agency," as defined by the Idaho statutes (see Idaho Code § 67-2327), means any city or political subdivision of the state including, but not limited to, counties, school districts, highway districts, port authorities, instrumentalities of counties, cities, or any political subdivision thereof created under the laws of the State of Idaho.

The original ICRMP membership was limited to counties which were also members of the IAC; however, an amendment to the Joint Powers Agreement, effective September 21, 1989, allowed

any political subdivision in the State of Idaho (but not the State) to apply for membership as a subscriber for coverage by ICRMP.

The entities for which coverage is provided are known as subscriber "Members." Twenty-six members formed the foundation of ICRMP in 1985. Each member is independent of the other and premiums are established for each subsequent fiscal year on an annual basis by the Board. An individual member's premium shall be limited to the amount set for that policy year, unless the member requests additional coverage. The policies are non-assessable. Premium incentives may be offered to those faithfully participating in loss prevention and safety programs. Conversely, premiums may be increased based on changes in risk, violations of safety or loss prevention programs or for other reasons established and/or approved by the Board.

ICRMP, the Attorney-in-Fact, delegated specific powers, within the Joint Powers Subscriber Agreement, to the Executive Director/Administrator to run the day-to-day operation of ICRMP.

ICRMP offers property and liability coverages to its members. It conducts it day-to-day operations at its headquarters located in Boise, Idaho.

There were no merger, acquisitions or surplus debentures incurred during the period under examination.

CORPORATE RECORDS

The meetings of the Board of Trustees were conducted five times a year for all the years under examination. Phone conferences were also conducted by the Board of Trustees on a needed basis.

The Board of Trustees (Board) guides and oversees the management and control of ICRMP. In accordance with Article X of the Joint Powers Subscribers Agreement (JPSA), the Board shall be comprised of nine elected officials, six of whom shall be county commissioners and three who shall hold elective office in other political subdivisions. The Board delegates powers to an executive director in charge of the operations of ICRMP.

In general, the type of information/transactions discussed, reviewed and/or approved in the board meetings includes the following: review of current financials, review and approval of credit card transactions and operating cash disbursements, authorization of claims settlements, ratify investment transactions, approval of major agreements, approval of annual budget, and approval of premium rates.

The Prior Examination Report as of December 31, 2009 was distributed and discussed with the Board on February 9, 2011 and affidavits were signed by the Board on April 6, 2011, in accordance with Idaho Code §41-227 (6) (a).

MANAGEMENT AND CORPORATE GOVERNANCE

As stated in Article X of the Joint Powers Subscribers Agreement (JPSA), the Board shall be comprised of nine elected officials

The following persons served as directors of ICRMP as of December 31, 2014:

Trustees:

Name and Address	Principal Occupation
Jack Buell, Chairman St. Maries, ID	Commissioner Benewah County
Seth Beal, Vice Chairman Moore, ID	Commissioner Butte County
Brian Blad Pocatello, ID	Mayor City of Pocatello
Garrett Nancolas Caldwell, ID	Mayor City of Caldwell
Craig Rockwood Iona, ID	Treasurer City of Idaho Falls
Marc Shigeta New Plymouth, ID	Commissioner Payette County
Scott Workman Preston, ID	Commissioner Franklin County
Tom Faulkner* Bliss, ID	Commissioner Gooding County
Don Ebert Orofino, ID	Commissioner Clearwater County

*Replaced by Paul Christensen on December 3, 2014

Committees

The Joint Powers Subscriber Agreement (JPA) authorizes the Board to form committees and advisory panels on an as needed basis. As of December 31, 2014, ICRMP had an audited committee which was comprised of the entire board. No separate minutes were kept by the audit

committee during this examination period. No other committees were appointed by the board during the period under examination.

Officers

The JPA states that the Board shall annually elect a Chairman and a Vice-Chairman. Each officer shall serve until his or her successor is elected. The following person served as officers of ICRMP as of December 31, 2014:

Name	Title
Jack Buell	Chairman
Seth Beal	Vice-Chairman

The JPA also states that the Board may delegate powers to an Executive Director to accept service of process on behalf of ICRMP and to perform general services including the following:

(a) Issue, underwriting and servicing policies of insurance
(b) Contracting with agents for sale and servicing of policies of insurance
(c) Executing treaties of reinsurance or contracts of excess insurance
(d) Providing risk management services and administering programs to diminish claims for damages
(e) Supervising the investment policy of ICRMP

Richard Ferguson was the executive director of ICRMP during the period under examination.

Contracts and Agreements

ICRMP was party, during the period under examination and/or subsequently thereto, to the following major contracts and agreements:

Support Services and Consulting Agreement with AIC

ICRMP entered into a support services and consulting agreement with Association of Idaho Cities, Inc. (AIC). In this agreement, AIC agreed to provide support and consulting services to ICRMP and to endorse ICRMP as its exclusive Insurance carrier. ICRMP agreed to pay a compensation to AIC.

Loyalty Agreement with IAC

ICRMP entered into a loyalty agreement with Idaho Association of Counties (IAC). In this agreement, IAC agreed to endorse ICRMP as the exclusive insurance carrier for counties. In return, ICRMP agreed to compensate IAC with a royalty payment.

Service Agreement with IAHD

ICRMP entered into a service agreement with Idaho Association of Highway Districts (IAHD). In this agreement, IAHD agreed to endorse ICRMP as its preferred insurance provider for its members. ICRMP agreed to make an annual compensation to IAHD.

Investment Services Agreement with KeyBank National Association (KeyBank)

ICRMP entered into an investment services agreement with KeyBank National Association (KeyBank). In this agreement, KeyBank agreed to take custody of ICRMP's investments and to provide investment management services to ICRMP. ICRMP paid an investment management fee to KeyBank quarterly.

This investment services agreement does not meet the NAIC guidelines for custody agreement. It is recommended that ICRMP revise this agreement to include provisions mentioned in the NAIC guidelines for custody agreement. (*See Summary of Recommendations Item A)*

In additional to the above agreements, ICRMP entered into numerous agreements with various vendors and tenants as of the examination date.

FIDELITY BONDS AND OTHER INSURANCE

The minimum fidelity coverage suggested by the National Association of Insurance Commissioners (NAIC) for an insurer of ICRMP's size and premium volume is not less than $450,000. As of December 31, 2014, ICRMP had sufficient fidelity bond coverage subject to a loss limit of $2,000,000 with a deductible of $25,000.

ICRMP also had additional insurance protection against property and liability.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

ICRMP provided a number of benefits to full-time employees. The employee benefits include, but are not limited to, health and dental insurance, life insurance, retirement through the Public Employees Retirement System of Idaho (PERSI), parental leave, bereavement leave, paid time off and recognition of ten holidays each year.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2014, ICRMP was only licensed in the State of Idaho. It provides property and liability coverages to its members. All of its members are public entities including school

districts. All of its policies were marketed through various agents. All of its operations are conducted at its headquarters located at Boise, Idaho.

GROWTH OF ICRMP

The following represents ICRMP's Premium Activity and its relationship to surplus over the period of our examination:

Year	Gross Premium Written	Surplus	Premium to Surplus Ratio
2010	$19,656,870	$18,049,396	1.09
2011	$19,874,669	$20,430,432	0.97
2012	$ 19,973,992	$24,359,116	0.82
2013	$ 19,707,504	$25,822,700	0.76
2014*	$ 28,277,893	$27,757,152	1.02

*Per Examination

ICRMP's gross premium written increased approximately 44% in 2014 due to acquiring a large book of school business from an agent in that year.

LOSS EXPERIENCE

The following represents ICRMP's loss experience and its relationship to net premium income over the period of our examination:

Year	Net Premium Earned	Losses & LAE Incurred	Expenses Incurred	Total Losses, LAE and Expenses	Ratio to Earned Premium
2010	$14,453,544	$10,078,947	$4,173,621	$14,252,568	98.61%
2011	$16,581,217	$10,799,064	$4,477,325	$15,276,389	92.13%
2012	$17,188,488	$10,109,804	$4,480,972	$14,590,776	84.89%
2013	$17,140,692	$12,393,994	$4,475,896	$16,869,890	98.42%
2014*	$19,825,126	$13,579,921	$5,763,710	$19,343,631	97.57%

*Per Examination

REINSURANCE

Assumed

ICRMP did not assume any reinsurance business during the period under examination.

Ceded

ICRMP obtained its reinsurance coverages through a reinsurance intermediary, Arthur J. Gallagher & Co (AJG). Reinsurance premiums were calculated by the reinsurers and presented to ICRMP by AJG in an annual reinsurance proposal. All of ICRMP's policies are effective on October 1st with the exception of a large block of school business which ICRMP acquired in 2014 from an agent. That block of business had an effective date of July 1st. As a result, there are two separate reinsurance programs. One covers policies with effective date on October 1st and the other covers policies with effective date on July 1st. Ceded premium amounts are remitted to the reinsurers through AJG at the beginning of each policy year. Claims adjusters are the one notifying AJG and the reinsurers if ICRMP is entitled to a reinsurance recoverable. They also notify the controller to set up a reinsurance recoverable at the general ledger.

The coverage structure for the ceded business effective for policy year 2014-2015 is summarized as follows:

For policies (public entities and schools) with effective date on October 1st

Type of Agreement	Business Covered	Reinsurer(s)	ICRMP's Retention	Reinsurer's Limits
Facultative-Excess of Loss-1st layer	Commercial Property including Equipment Breakdown	National Union Fire Insurance Company	$250,000 deductible per occurrence $10,000 deductible for equipment breakdown	$50 million per occurrence/ annual aggregate
Facultative-Excess of Loss-2st layer	Commercial Property	RSUI Indemnity Company	$50 million per occurrence	$150 million per occurrence
Facultative-Excess of Loss	Equipment Breakdown	Zurich American Insurance Company	$50 million per occurrence	$50 million per occurrence/annual aggregate

Excess of Loss	General Liability Auto Liability Errors & Omissions	General Reinsurance Corporation	$500,000 each occurrence per member $500,000 each occurrence per member $500,000 each claim per member	$3 million each occurrence/$5 million aggregate limit per policy $3 million each occurrence/$5 million aggregate limit per policy $3 million any one claim/$5 million aggregate limit per policy
Note 1	Practicum Liability (Schools-Trade or Vocational): General Liability Professional Liability Garagekeepers Legal Liability	Genesis Insurance Company	$0 $10,000 deductible	$1 million each occurrence/$2 million aggregate $25,000 each customer /$1 million aggregate
Note 1	Airport Owners and Operators General Liability	ACE Property and Casualty Insurance Company	$0	Ranged from $2 million to $50 million each occurrence /aggregate limit for each airport
Note 1	Property-Terrorism	Lloyds*	$10,000 any occurrence	$50 million any one occurrence or aggregate
Note 1	Cyber Liability	Indian Harbor Insurance Company*	$25,000 deductible each claim	$1 million each entity/$4 million aggregate on a claims made basis

<u>For policies (schools) with effective date on July 1</u>

Type of Agreement	Business Covered	Reinsurer(s)	ICRMP's Retention	Reinsurer's Limits
Facultative-Excess of Loss-1st layer	Commercial Property including Equipment Breakdown	National Union Fire Insurance Company	$250,000 deductible per occurrence $10,000 deductible for	$50 million per occurrence/ annual aggregate

			equipment breakdown	
Facultative-Excess of Loss-2st layer	Commercial Property	RSUI Indemnity Company	$50 million per occurrence	$450 million per occurrence
Facultative-Excess of Loss	Equipment Breakdown	Zurich American Insurance Company	$50 million per occurrence	$50 million per occurrence/annual aggregate
Excess of Loss	General Liability Auto Liability Errors & Omissions Chemical Spraying Activities Liability	General Reinsurance Corporation	$500,000 each occurrence per member $500,000 each occurrence per member $500,000 each claim per member $500,000 each claim per member	$5 million each occurrence ($2 million-indemnity and $3 million-defense cost) $6 million each occurrence ($3 million-indemnity and $3 million-defense cost) $5 million each occurrence ($2 million-indemnity and $3 million-defense cost) $2.5 million each claim ($500,000-indemnity and $2 million-defense cost) Annual aggregate of $10 million for indemnity and $5 million for defense cost
Note 1	Property-Terrorism	Lloyds*	$10,000 any occurrence	$50 million any one occurrence or aggregate

*Unauthorized insurer in Idaho

Note1: Those are not standard reinsurance agreements since the claims related to these agreements would be handled and paid directly by either the reinsurers or its intermediaries. Deductibles related to these agreements are paid by members' of ICRMP. In addition, many of these agreements do not include standard provisions of a reinsurance agreement.

The above agreements have a one-year duration, which corresponds with the maximum one-year policy period of the business written by ICRMP. All of the above name reinsurers are authorized insurers in the State of the Idaho except those noted above.

All of the above agreements are in compliance with Statement of Statutory Accounting Principle (SSAP) 62R with regard to transfer of risk and Title 41 of Idaho Code.

There is no significant change on ICRMP's reinsurance coverages in the 2015-2016 policy year.

Indian Harbor Insurance Company, an unauthorized reinsurer, that provides cyber liability coverage to ICRMP's members, was reported as an admitted reinsurer on Schedule F, part 3. It should be reported as an unauthorized reinsurer. It is recommended that the above reinsurer be properly reported as unauthorized on Schedule F, Part 3 of the annual statement and that a liability be appropriately established for such reinsurer. (*See Summary of Recommendations Item B)*

ACCOUNTS AND RECORDS

General Accounting

ICRMP's accounting records are maintained at its home office located at Boise, Idaho

ICRMP uses QuickBooks to maintain its general ledger. Monthly Journal entries are entered to the general ledger manually based on update day to day transactions maintained on spreadsheets (Excel). Sunguard (iWorks) is used as the annual statement software. Prior to 2015, it was also used as the investment software. In 2015, ICRMP started using ClearWater for investment. QuickBooks does not interface with the claims or underwriting system. All entries are made manually.

It was noted that investment fees, bank fees, consulting fees and reinsurance broker fees were included on line 18 (legal and auditing), Part 3 of the Underwriting and Investment Exhibit. Per annual statement instructions, those fees should be reported on line 24, miscellaneous expenses. It is recommended that those fees be reported on line 24, Part 3 (Aggregate write-ins for miscellaneous expenses) of the Underwriting and Investment Exhibit. (*See Summary of Recommendations Item C)*

Schedule P, Part 5 and 6 of the 2014 Annual Statement were incomplete because those schedules had not been updated from the prior year. It is recommended those schedules be completed in future years. (*See Summary of Recommendations Item D)*

Independent Accountants

The 2010 independent audit of ICRMP was performed by Shores, Tagman & Company, P.A., Orlando, Florida. For years 2011 through 2014, the audits were performed by Johnson Lambert, LLP, Arlington Heights, Illinois.

The 2010 through 2014 auditor's reports were reported in accordance with statutory accounting principles. The December 31 audited balance sheets and financial statements for the examination years were provided to the Idaho Department of Insurance in compliance with IDAPA 18.01.62.

The CPA's workpapers were relied upon in some instances and noted accordingly in respective Department workpapers.

ICRMP workpapers/other documents in electronic formats were provided to the examiners during the examination.

STATUTORY DEPOSITS

Pursuant to Idaho Code § 41-316A Idaho Code, ICRMP was required to maintain a deposit in an amount equal to $1,000,000. The examination confirmed ICRMP maintained a statutory deposit with the State of Idaho consisting of three U.S. Treasury Bonds and a Federated Prime Obligation Fund with a par value of $1,111,485 , which was adequate to cover the required deposit.

The special deposits maintained by or through regulatory agencies on the members' behalf as of December 31, 2014, were as follows

Description	Statement Value	Fair Value
U.S. Treasury Note, .875% due 1/31/17	$ 300,110	$ 300,867
U.S. Treasury Note, .375% due 11/15/15	249,039	249,234
U.S. Treasury Note, .625% due 4/30/18	246,766	244,922
U.S. Treasury Note, 1.75% due 5/15/22	300,432	294,915
Federated Prime Obligations Fund	12,484	12,484
Totals	$1,108,831	$1,102,422

FINANCIAL STATEMENTS

The financial section of this report contains the following statements:

Statement of Assets and Liabilities as of December 31, 2014
Statement of Income as of December 31, 2014
Reconciliation of Capital and Surplus, December 31, 2009 through December 31, 2014

Statement of Assets and Liabilities as of December 31, 2014

Assets

	Ledger Assets	Assets not Admitted	Admitted Assets
Bond	$48,896,503	$ 0	$48,896,503
Real estate:			
Properties held for the production of income	3,314,252	0	3,314,252
Cash and short-term investments	6,690,094	0	6,690,094
Interest income due and accrued	414,444	0	414,444
Uncollected premiums in course of Collection	441,050	0	441,050
Deferred premiums booked but deferred and not yet due	8,362,115	0	8,362,115
Amounts recoverable from reinsurers	331,296	0	331,296
Furniture and equipment	58,833	0	58,833
Aggregate write-ins for other than Invested assets	10,771	10,771	0
Total Assets	$68,519,358	$ 10,771	$68,508,587

Liabilities, Surplus and Other Funds

Losses (Note 1)	$16,239,645
Loss adjustment expenses (Note 1)	7,587,453
Commissions payable, contingent commissions	833,208
Other expenses	124,346
Unearned premiums	15,902,783
Provision for reinsurance	64,000
Total Liabilities	$40,751,435
Unassigned funds (surplus)	$27,757,152
Surplus as regards policyholders	$27,757,152
Total Liabilities, Surplus and Other Funds	$68,508,587

Statement of Income as of December 31, 2014

Underwriting Income	
Premiums earned	$19,825,126
Losses incurred	8,693,016
Loss expenses incurred	4,886,905
Other underwriting expenses incurred	5,763,719
Total underwriting deductions	19,343,640
Net underwriting gain or (loss)	$ 481,486
Investment Income	
Net investment income earned	1,074,575
Net realized capital gains (losses)	1,265
Net investment gain or (loss)	1,075,840
Net income before dividends to policyholders and federal income taxes	$ 1,557,326
Dividends to policyholders	0
Net income after dividends to policyholders but before federal income taxes	$ 1,557,326
Federal income taxes	0
Net income	$ 1,557,326

Capital and Surplus Account

Surplus as regards policyholders, December 31, prior year	$25,822,700
Net income	$ 1,557,326
Change in net unrealized capital gains or (losses)	453
Change in nonadmitted assets	(8,327)
Change in provision for reinsurance	385,000
Change in surplus as regards policyholders for the year	$ 1,934,452
Surplus as regards policyholders, December 31, current year	$27,757,152

Reconciliation of Capital and Surplus
December 31, 2009 through December 31, 2014

	2010	2011	2012	2013	2014
Surplus as regards policyholders, December 31, prior year	$16,205,185*	$18,049,396	$20,430,432	$24,359,116	$25,822,700
Net income	1,794,983	2,702,437	3,985,780	1,536,933	1,557,326
Change in net unrealized capital gains or (losses)	0	(6,518)	5,795	304	453
Change in nonadmitted assets	49,228	30,534	(80,891)	84,347	(8,327)
Change in provision for reinsurance	0	(309,000)	18,000	(158,000)	385,000
Other gains/losses in surplus	0	(36,417)	0	0	0
Change in surplus as regards policyholders for the year	1,844,211	2,381,036	3,928,684	1,463,584	1,934,452
Surplus as regards policyholders, December 31, current year	$18,049,396	$20,430,432	$24,359,116	$25,822,700	$27,757,152 *

*per examination

Analysis of Changes in Financial Statements Resulting From Examination

There were no adjustments to surplus in this examination.

NOTES TO FINANCIAL STATEMENTS

Losses (Note 1)	$16,239,645
Loss Adjusting Expenses (Note 1)	$ 7,587,453

The captioned liability as of December 31, 2014 was examined by Taylor-Walker, Consulting, LLC, contract actuary for the Idaho Department of Insurance. The result of its review and analysis indicates that ICRMP's losses and loss adjustment expense reserves as of December 31, 2014 are reasonable.

SUMMARY OF RECOMMENDATIONS

A *Custodial Agreement*

The investment services agreement that provides custody and investment services by KeyBank National Association does not meet the NAIC guidelines for custodial agreement.

Within the examination period, the Company issued a draft addendum to meet the NAIC guidelines for custodial agreements

It is recommended that ICRMP provide the Department with a copy of the addendum. Additionally, it is recommended that future custodial agreements for securities be drafted in accordance with the NAIC guidelines for custodial agreements.

B *Compliance with Annual Statement Instructions*

During the course of the examination, there were several instances where financial reporting in the annual statement was not in compliance with the NAIC Annual Statement Instructions.

Pursuant to Idaho Code § 41-335 ... Unless otherwise required by the Director, the statement is to be prepared in accordance with the National Association of Insurance Commissioners' (NAIC) Annual Statement Instructions.

It is recommended that ICRMP comply with the NAIC Annual Statement Instructions when completing the annual statements to be submitted to the Department and the NAIC.

ACKNOWLEDGEMENT

Solomon Frazier, FSA, ACAS, MAAA of Taylor-Walker Consulting, LLC performed the actuarial phases of the examination. Joanna Latham, CPA, CFE, AES, CISA, CRISC of Jennan Enterprises, LLC performed the Information Systems review. Hermoliva Abejar, CFE of Idaho Department of Insurance supervised the examination. They join the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers, employees, and representatives of ICRMP.

Respectfully submitted,

Kelvin Ko, CFE
Senior Insurance Examiner
State of Idaho
Department of Insurance

AFFIDAVIT OF EXAMINER

Idaho
Ada County

Kelvin Ko, being duly sworn, deposes and says that he is a duly appointed Examiner for the Department of Insurance of the State of Idaho, that he has made an examination of the affairs and financial condition of *Idaho Counties Risk Management Program, Underwriters* for the period from January 1, 2010 through December 31, 2014, that the information contained in the report consisting of the foregoing pages is true and correct to the best of his knowledge and belief; and that any conclusions and recommendations contained in this report are based on the facts disclosed in the information.

Kelvin Ko, CFE
On behalf of Idaho Department of Insurance

Subscribe and sworn to before me the 8th day of May, 2017, at Boise, Idaho

MANDY M. ARY
NOTARY
PUBLIC
STATE OF IDAHO

Notary Public

My Commission Expires: 7/24/2018