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FILED
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Department of Insu.
State of Idaho

Attorneys for the Department of Insurance

BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE

STATE OF IDAHO

In the Matter of:

BOISE FIRE & POLICE TRUST

Idaho Registration No. 4052

Docket No. 18-3472-18

**ORDER ADOPTING REPORT
OF EXAMINATION AS OF
DECEMBER 31, 2015**

The State of Idaho, Department of Insurance (“Department”), having conducted an examination of the affairs, transactions, accounts, records, and assets of BOISE FIRE & POLICE TRUST, pursuant to Idaho Code §§ 41-4013 and 41-219(1) and (5), as incorporated and made applicable by Idaho Code § 41-4021, 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 Boise Fire & Police Trust as of December 31, 2015 (“Report”), as filed.

FINDINGS OF FACT

1. Boise Fire & Police Trust is an Idaho-domiciled self-funded health care plan, which was duly registered with the Department on December 28, 2010, under Registration No. 4052.

2. The Department completed an examination of Boise Fire & Police Trust pursuant to Idaho Code §§ 41-4013 and 41-219(1) and (5) on or about February 7, 2018. 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 February 7, 2018, and a copy was transmitted to Boise Fire & Police Trust on February 9, 2018. A copy of the verified Report is attached hereto as Exhibit A.

4. Pursuant to Idaho Code § 41-4013(3), the trustee of Boise Fire & Police Trust had four (4) weeks from February 9, 2018, i.e., until March 9, 2018, to recommend to the Director of the Department ("Director") such corrections or changes to the Report as the trustee may deem appropriate. No such recommendations, nor any written submissions or rebuttals pursuant to Idaho Code § 41-227(4) with respect to any matters contained in the Report, were received by the Department from Boise Fire & Police Trust.

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.

7. Having fully considered the Report, the Director concludes that, during the period covered by the Report, Boise Fire & Police Trust appears to meet the qualifications for maintaining its registration pursuant to chapter 40, title 41, Idaho Code.

ORDER

NOW, THEREFORE, based on the foregoing, IT IS HEREBY ORDERED that the Report of Examination of Boise Fire & Police Trust as of December 31, 2015, 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, Boise Fire & Police Trust shall file with the Department's Company Activities Bureau Chief 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 21 day of March, 2018.

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 22nd day of March, 2018, I caused a true and correct copy of the foregoing ORDER ADOPTING REPORT OF EXAMINATION AS OF DECEMBER 31, 2015, to be served upon the following by the designated means:

Boise Fire & Police Trust
c/o John C. Hughes
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DEPARTMENT OF INSURANCE

STATE OF IDAHO



REPORT OF EXAMINATION

Of

BOISE FIRE & POLICE TRUST
(Self-Funded Trust)

(NAIC Company Code: Not Applicable)

As of

December 31, 2015



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Boise, Idaho
February 7, 2018

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, 2015, of the financial condition and affairs of:

Boise Fire & Police Trust
12121 Harbour Reach Drive, Suite 105
Mukilteo, Washington 98275

Hereinafter referred to as the "Trust". The following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

We have performed our full scope financial examination of Boise Fire & Police Trust using a modified risk-focused approach. The exam was completed as of December 31, 2015. This examination covers the period of December 28, 2010 through December 31, 2015 and subsequent. This was the first examination completed on the Trust since its inception.

Examination Procedures Employed

The examination was conducted in accordance with the modified risk-focused examination process pursuant to the 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 examination process required that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Trust, including management and governance, identifying and assessing inherent risks within the Trust, and evaluating system controls and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, and management's compliance with all applicable provisions within Title 41 of the Idaho Code.

The Trust retained the services of the certified public accounting firm Anastasi, Moore & Martin, PLLC, in Spokane, Washington to audit its financial records for the years under examination. The firm provided 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 the Trust were considered during the examination process in accordance with the modified risk-focused examination process. Key exhibits from the NAIC *Financial Condition Examiners Handbook* were utilized and customized as appropriate for the examination. This included assessing significant estimates made by management and evaluating management's compliance with appropriate accounting principles. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Trust's financial statements.

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

This examination report includes findings of fact, as mentioned in Idaho Code § 41-227(2) and general information about the Trust and its financial condition. There were other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to the Trust.

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

This is the first financial condition examination of the Trust since its inception in 2010.

SUMMARY OF SIGNIFICANT FINDINGS

Cash on Deposit

The Trust's external auditors Anastasi, Moore & Martin, PLLC, confirmed the deposit (balance) in the Trust's bank account at DL Evans Bank as of December 31, 2015. The Trust's deposit with DL Evans Bank as of December 31, 2015 exceeded FDIC insurance and was therefore, not in compliance with Idaho Code § 41-4009(1)(e) at the examination date.

Pursuant to Idaho Code § 41-4009(1)(e) the trustees may invest trust funds in deposits in chartered banks and savings and loan associations located in the United States. However, an investment in any one such institution may not be in excess of the amount covered by applicable deposit insurance, unless otherwise authorized by the director. Currently, the Federal Deposit Insurance Corporation (FDIC) coverage limit per depositor (account holder) per insured bank is \$250,000. This amount includes principal and accrued interest through the bank's closing date.

Quarterly Reserve Estimates

On August 13, 2013, the Trust requested permission to have DiMartino Associates, a person other than a qualified actuary, calculate the quarterly reserve estimate. In a letter dated December 6, 2013, the Department accepted DiMartino Associates as a qualified person with conditions set forth in that letter.

In a meeting held with the Department and representatives of the Trust on January 17, 2017, it was indicated that quarterly reserve estimates were being made by DiMartino Associates. However, those estimates were not booked in the general ledger accounts or reflected in the quarterly financial reports submitted to the Idaho Department of Insurance. It was also indicated there were not any written policies and procedures regarding the quarterly reserve estimates. Therefore, it appears that the reserves were not adjusted on a quarterly basis as required by Idaho Code § 41-4010(1)(a).

Consequently, the appointed actuary issued a qualified actuarial opinion as of December 31, 2015 and the Department's examining actuary determined that the IBNR liability reported by the Trust was inadequate. The reserves are discussed in more detail in Note 3 to the Financial Statements.

Reserve Deficiency at Year-End 2015

As appointed by the Director, Michael A. Mayberry, F.S.A., M.A.A.A., of Lewis & Ellis, Inc. in Richardson, Texas (Lewis & Ellis) performed the actuarial review. The purpose of the actuarial review was to issue an opinion on the adequacy of the incurred but not reported claims (IBNR) reported by the Trust as of December 31, 2015.

Based on the actuarial review, the IBNR liability reported by the Trust as of December 31, 2015 is inadequate by \$487,754 at year-end 2015.

As of December 31, 2015, the Trust only booked IBNR in the amount of \$589,400. The Trust's general ledger accounts for the year ending December 31, 2015 were adjusted June 30, 2016 to reflect the 2015 IBNR of \$910,000 developed by the Trust's actuary.

Our examination determined that IBNR reserves should have been booked at \$1,077,154 or more in order to be adequate. Therefore, after the adjustments were made to the IBNR account as of December 31, 2015 on June 30, 2016, the IBNR reserves as of December 31, 2015 were still deficient by \$167,154 per our examination.

Adequacy of Plan Contribution Rates (Med Sup)

Pursuant to Idaho Code § 41-4004(2)(a) the Trustees of a self-funded plan are required to file an actuarial study as described in Idaho Code § 41-4005(2)(e) calculating new rates for the next plan year or more frequent period if there are any midterm rate changes 30 days before the effective date. The actuarial study must be prepared by a qualified actuary certifying that the rates for the plan are sufficient to cover moderately adverse experience and all costs of operation.

Furthermore, contribution rates shall be calculated at least annually by a qualified actuary pursuant to IDAPA 18.01.27.028. The contribution rate calculations should be broken down and designated as the rate for the employer and the rate per employee. Employer contributions shall be based on filed rates, paid in advance on a periodic basis during the period of coverage or at the beginning of the period of coverage. The required annual filing of rates with the Director shall include the breakdown by employer and employee.

The Trust offers four self-funded group health plans, one of which involves a capitated care arrangement. In August 2016, the Board of Trustees approved offering a self-insured Medicare Supplement Plan effective January 1, 2017. The Medicare Supplement Plan filings submitted to the Department were subsequently withdrawn by the Trust pending further consideration of the requirements to conduct actuarial studies and the associated feasibility. See SUBSEQUENT EVENTS for additional information.

SUBSEQUENT EVENTS

Subsequent to the examination date, Chad Wigington was elected Chairman of the Board of Trustees, while Michael Bisagno was elected Secretary.

On January 1, 2016, the Trust implemented a new group health plan, Preferred-ERHC Plan, whereby active employee members and their eligible family members may receive primary care and other medical services from Emergency Responders Health Center, LLC (ERHC), at no out-of-pocket cost to members. Also effective January 1, 2016, an ear plug/hearing protection benefit is offered through several local providers.

Beginning in Plan Year 2017, the Trustees approved implementation of a self-funded Medicare Supplement Plan for eligible retirees, which will be administered by the Trust's third party

administrator (BSI). The Medicare Supplement Plan filings submitted to the Department were subsequently withdrawn by the Trust pending further consideration of the requirements to conduct actuarial studies and the associated feasibility. The Medicare Supplement Plan was not offered as of the date of this report.

TRUST HISTORY

Prior to January 1, 2011, members of the Boise Fire Fighters International Association of Fire Fighters, Local 149 and Boise Police International Brotherhood of Police Officers, Local 486, were covered under the City of Boise Employee Health Care Plan Trust.

The Unions noted above established and approved the Trust according to the Trust Agreement Governing the Boise Fire & Police Trust, effective September 1, 2010. The purpose of the Trust is to receive City of Boise and Plan participant contributions towards health care costs and to provide health care coverage to Plan participants.

Information relative to the Trust is also set forth in a Memorandum of Agreement entered into between the City of Boise and the Fire and Police Unions on October 12, 2010. The Trust assumes responsibility for providing medical, dental, and vision coverage for all Fire and Police bargaining unit employees and their eligible family members as set forth in the Plans, as well as for retirees and select non-bargaining unit employees.

The Trust is governed by the Board of Trustees selected by the Unions' members pursuant to the Union by-laws and/or Trust Agreement. The Board of Trustees is the official administrator of the Plan.

The Trust maintains and administers several health and welfare benefit plans effective January 1, 2011. The plans provide hospital, medical, surgical, major medical, dental, vision and prescription drug benefits. To be eligible for benefits, participants must be employed by or retired from a participating employer and must meet eligibility requirements set forth in a collective bargaining agreement between their employer, Local 149 and Local 486 or in the October 12, 2010 Memorandum of Agreement and plans. Currently the only participating employer is the City of Boise.

The Trust is registered with the Department as of December 28, 2010. It operates as a self-funded health care plan under Title 41, Chapter 40 of Idaho Code.

The Trust is exempt from Federal income tax under Section 501(c)(9) of the Internal Revenue Code. The Trust is subject to a tax imposed upon each participant's contract under Idaho Code § 41-4012.

TRUST RECORDS

The meetings of the Board of Trustees were conducted on a frequent basis for all the years under examination.

MANAGEMENT AND TRUST GOVERNANCE

The Trust is governed by the Board of Trustees selected by the Unions' membership pursuant to the Union by-laws and/or the Trust Agreement.

The Board is comprised of six persons. Three are members of the Boise Firefighters Union and three are members of the Boise Police Union. There are two retiree liaisons, one for each local union. The liaisons are non-voting members of the Board. The Board of Trustees, Officers, and Liaisons serving as of December 31, 2015 are shown below:

<u>Name and Position</u>	<u>Local Union Affiliation</u>
Michael Joseph Bisagno, Chairman	Fire Local 149
James C. Walker	Fire Local 149
Gregory Marcus Womack	Fire Local 149
Guy Matthew Bourgeau	Police Local 486
Michael Anthony Hill	Police Local 486
Chad Wigington, Secretary	Police Local 486
Roger Wassler	Fire Liaison
Tony Taylor	Police Liaison

Subsequent to the examination date, Chad Wigington was elected Chairman and Michael Bisagno was elected Secretary. Randy Buzzini was named Police Liaison.

Members of the Investment Committee are:

Michael Joseph Bisagno	Chad Wigington
Guy Matthew Bourgeau	Gregory Marcus Womack
James C. Walker	

Subsequent to the examination date, Michael Hill was added to the Investment Committee. James C. Walker sits on the Document Review Committee and the Wellness Committee. Members of the Retreat Planning Committee are Michael Hill and Michael Bisagno.

The Trust has a conflict of interest procedure in place for the Trustees. The executed conflict of interest statements indicated there were no conflicts.

The Board of Trustees has the overall responsibility to control and manage the operations and administration of the Plan and to manage its assets. The Board is assisted by third party administrators and various professional service providers and consultants.

The Trustees retain an outside attorney to serve as Trust Legal Counsel. Alan Herzfeld, of the Boise law firm of Herzfeld & Piotrowski, PLLC, has served as Trust Legal Counsel from inception of the Trust to January 1, 2017. He continued to serve in the capacity of Trust Consultant during the examination process. John C. Hughes, formerly of The ERISA Law Group, P.A., assumed the position of Trust Counsel effective January 1, 2017. As of the date of this report, Mr. Hughes is with Hawley Troxell Ennis & Hawley LLP continuing his services as Trust Legal Counsel.

The Board of Trustees contracts with Benefit Solutions, Inc. (BSI) of Mukilteo, Washington, as its third party administrator (TPA) to provide administrative services to the Trust and its self-funded Medical/Vision and Dental Plans. BSI performs the day-to-day operations on behalf of the Trust.

The Board also contracts with health benefit consultants Brown & Brown of Washington, dba DiMartino Associates, of Seattle, Washington for a wide range of consultant services including: advice and assistance on plan design and implementation, procuring and contract formation with third-party vendors, including claims administrators, insurance providers, medical providers, pharmacy benefit managers, and other vendors.

Regence BlueShield of Idaho, Inc. serves as the claims administrator for the Trust's four self-funded Medical/Vision Plans and with Delta Dental of Idaho, Inc. to serve as the claims administrator for the Trust's three self-funded Dental Plans. Starting in 2012, the Trustees also contracted with Willamette Dental of Idaho, Inc. to provide Participants a fully-funded HMO dental insurance option.

Regence BlueShield of Idaho, Inc. is the Trust's stop loss carrier. The Trust also entered into a Pharmacy Benefit Management (PBM) Administrative Services Agreement with Regence. Subsequent to the examination date, a PBM agreement was executed with Sav-Rx Prescription Services of Fremont, Nebraska.

D. A. Davidson & Co. (Capital Investment Advisors) is the Trust's portfolio manager. A custodial agreement also exists between the Trust and D. A. Davidson.

FIDELITY BONDS AND OTHER INSURANCE

The minimum fidelity coverage suggested by the NAIC for an insurer of the Trust's size and contribution volume is not less than \$200,001. As of December 31, 2015, the Trust had sufficient fidelity bond coverage subject to a loss limit of \$500,000. The fidelity coverage meets the requirements of Idaho Code § 41-4014(3).

The Trust also had additional insurance protection for business auto coverage, designated benefit plan fiduciary liability coverage, commercial general liability, commercial umbrella, and stop loss coverage.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2015, the Trust was registered in Idaho as a self-funded health care plan under Title 41, Chapter 40 of the Idaho Code.

The Trust maintains and administers several health and welfare benefit plans effective January 1, 2011. The Plans provide hospital, medical, surgical, major medical, dental, vision, hearing and prescription drug benefits for eligible employees, retirees and their dependents. To be eligible for benefits, participants must be employed by or retired from the City of Boise (a participating employer) and must meet eligibility requirements set forth in a collective bargaining agreement between their employer and Locals 149 and 486 or the October 12, 2010 Memorandum of Agreement and the plans.

The Medical/Vision Plans are administered by Regence BlueShield of Idaho, Inc. The Dental Plans are administered through Delta Dental of Idaho, Inc. Starting in 2012, the Trust also offered a fully funded HMO dental insurance option through Willamette Dental of Idaho, Inc.

GROWTH OF THE TRUST

The following represents the Trust's Contribution Activity and its relationship to Net Assets (surplus) over the period of our examination:

	2015	2014	2013	2012	2011
Gross Contributions	\$14,104,021	13,971,973	12,584,576	13,659,716	13,868,883
Net Assets (Surplus)	\$13,773,483	13,363,982	8,943,239	8,456,622	4,892,659
Gross Contributions to Net Assets	102%	105%	141%	162%	283%

Gross contributions and net assets (surplus) increased over the examination period due to the increased number of participants and increases in contribution rates.

LOSS EXPERIENCE

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

	2015	2014	2013	2012	2011
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Total Contributions	\$14,104,021	13,971,973	12,584,576	13,659,716	13,868,883
Claims Paid	\$12,383,218	8,441,812	10,875,463	9,053,249	7,744,310
Claims Administration Fee (AF)	467,527	550,289	542,882	483,497	465,074
Total Claims and Claims AF	\$12,850,745	8,992,101	11,418,345	9,536,746	8,209,384
Total Claims and Claims AF to Total Contributions Ratio (Loss Ratio)	91.12%	64.36%	90.74%	69.82%	59.20%

STOP LOSS

The Trust entered into a stop loss agreement with Regence BlueShield of Idaho, Inc. for the initial term of January 1, 2015 to December 31, 2015. The agreement automatically renews for a twelve month period unless 30 days prior written notice is provided to the parties or on the same date the claims administrator agreement with Regence terminates. The specific stop loss deductible per participant per term is \$165,000 and the aggregate specific stop loss deductible per term is \$100,000. The agreement was modified for the term January 1, 2016 to December 2016; however, changes were not made to the deductibles. The addendum for the term January 1, 2017 to December 31, 2017 saw an increase in the specific stop loss deductible per participant per term to \$175,000. The aggregate specific stop loss deductible per term remained at \$100,000.

ACCOUNTS AND RECORDS

The Trust's accounts are maintained on BSI's general ledger system, known as Magic. Magic is a custom application developed and maintained by the BSI development staff. Magic provides customer service teams an application tool used to provide administration services and provide support to both clients and participants. This application consists of a desktop application for BSI employees to administer the Plan and to access information along with a database server to house and secure customer data.

The Trust's accounts and records maintained by BSI are outside of the State of Idaho, except for the claims records which are located in Meridian and Boise, Idaho. The Trust was granted a one-time exception to compliance with exam requirements and Idaho Code requirements to make records available in Idaho pursuant to Idaho Code § 41-4013.

The annual independent audits of the Trust for the years 2011 through 2015 were performed by Anastasi, Moore & Martin, PLLC, in Spokane, Washington. Their audit reports were made available for the examination.

Document and information requests for the examination were made in writing. The Trust provided the requested documentation and information in a timely manner.

FINANCIAL STATEMENTS

Statements of Net Assets Available for Benefits

[As of December 31, 2015]

Statements of Plan's Benefit Obligations

[As of December 31, 2015]

Statements of Changes in Plan's Benefit Obligations

[For the Year Ended December 31, 2015]

Statements of Changes in Net Assets Available for Benefits

[As of December 31, 2015]

Reconciliation of Net Assets

[As of December 31, 2015]

Analysis of Changes in Financial Statements Resulting From Examination

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Statements of Net Assets Available for Benefits
As of December 31, 2015

ASSETS

Cash	\$ 1,324,110
Investments, at fair value	12,325,778
Participant contributions receivable	128,515
Prepaid expenses	5,411
Total Assets	<u><u>\$13,783,814</u></u>

LIABILITIES, NET ASSETS AVAILABLE FOR BENEFITS

LIABILITIES

Accounts payable	\$ 10,331
Total Liabilities	<u>\$ 10,331</u>

NET ASSETS AVAILABLE FOR BENEFITS

Undesignated fund (Note 1)	\$7,939,569
Designated for rate stabilization reserve (Note 2)	5,560,914
Designated for medical claims	263,700
Designated for dental claims	9,300
Total Net Assets Available for Benefits	<u>13,773,483</u>
Total Liabilities, Net Assets Available for Benefits	<u><u>\$13,783,814</u></u>

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Statements of Plan's Benefit Obligations
As of December 31, 2015

OBLIGATIONS FOR CURRENT BENEFIT COVERAGE	
AT ACTUAL AND ESTIMATED AMOUNTS:	
Estimated claims incurred but not reported (Note 3)	\$1,077,154
Medical and dental claims payable	<u>300,744</u>
 TOTAL OBLIGATIONS OTHER THAN POST- RETIREMENT BENEFIT OBLIGATIONS	 <u>1,377,898</u>
 POST-RETIREMENT BENEFIT OBLIGATIONS: (Note 4)	
Current retirees	14,301
Other participants fully eligible for benefits	15,123
Other participants not fully eligible for benefits	<u>56,507</u>
 TOTAL POST-RETIREMENT BENEFIT OBLIGATIONS	 <u>85,931</u>
Total Benefit Obligations	<u><u>\$1,463,829</u></u>

Statements of Changes in Plan's Benefit Obligations
For the Year Ended December 31, 2015

OBLIGATIONS FOR CURRENT BENEFIT COVERAGE,	
AT ACTUAL AND ESTIMATED AMOUNTS:	
Balance, beginning of year	\$954,077
Net change during the year in:	
Estimated claims incurred but not reported	323,951
Medical and dental claims payable	<u>99,870</u>
Balance, end of year	<u>1,377,898</u>
 TOTAL OBLIGATIONS OTHER THAN POST-RETIREMENT BENEFIT OBLIGATIONS	 <u>1,377,898</u>
 POST-RETIREMENT BENEFIT OBLIGATIONS:	
Balance, beginning of year	83,445
Increase during the year attributed to:	
Benefits earned and other changes	5,217
Change in discount rate	<u>(2,731)</u>
Balance, end of year	<u>85,931</u>
TOTAL BENEFIT OBLIGATIONS	<u><u>\$1,463,829</u></u>

Statements of Changes in Net Assets Available for Benefits
As of December 31, 2015

ADDITIONS:

Investment income:	
Interest and dividends	\$ 196,965
Net depreciation in fair value of investments	<u>(36,346)</u>
Net investment income	\$160,619

Contributions:

Employer contributions	\$13,039,218
Participant contributions	<u>1,064,803</u>
Total contributions	<u>\$14,104,021</u>
Total additions	\$14,264,640

DEDUCTIONS:

Benefit claims and premiums:	
Claims paid actives	\$9,600,831
Claims paid retirees	2,782,387
Stop-loss insurance premiums actives	432,098
Stop-loss insurance premiums retirees	<u>87,406</u>
Total benefit claims and premiums	\$12,902,722

Administrative expenses:

Administration fee	\$50,406
Claims administration fees	467,527
Legal and professional fees	291,330
Consulting fees	105,840
Fidelity bond and fiduciary insurance	10,020
Trustee meeting and travel expense	14,359
Office, printing, and postage	9,663
*PCORI fees	<u>3,272</u>
Total administrative expenses	<u>952,417</u>
Total deductions	<u>\$13,855,139</u>

NET INCREASE

\$409,501

NET ASSETS AVAILABLE FOR BENEFITS

Beginning of year	<u>13,363,982</u>
End of year	<u>\$13,773,483</u>

*Patient-Centered Outcomes Research Institute (PCORI) Fees are assessed for \$1 per covered life starting September 30, 2012, increasing to \$2

per covered life in the next plan year. These fees will not be assessed anymore after September 30, 2019.

Reconciliation of Net Assets

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Net Assets Available for Benefits prior reporting year	\$13,363,982	\$8,943,239	\$8,456,622	\$4,892,659	\$ 0
Net increase (decrease)	409,501	4,420,743	486,617	3,563,963	4,892,659
Net change in Assets Available for Benefits	\$ 409,501	\$4,420,743	\$ 486,617	\$3,563,963	\$4,892,659
Net Assets Available for Benefits end of reporting period	<u>\$13,773,483</u>	<u>\$13,363,982</u>	<u>\$8,943,239</u>	<u>\$8,456,622</u>	<u>\$4,892,659</u>

Analysis of Changes in Financial Statements Resulting From Examination

As stated in Note 3 to the Financial Statements, an actuarial examination was conducted for the Idaho Department of Insurance by Lewis & Ellis, Inc. Lewis & Ellis believes the IBNR liability reported by the Trust in its unaudited financial statements as of December 31, 2015 is inadequate by \$487,754 (column E).

	(A) Reported by Trust in Unaudited financial statements	(B) Developed by Trust's Actuary & reported in 2015 Audit report	(C) Difference: (A) - (B)	(D) DOI Actuary recast as of January 2017	(E) Difference: Unaudited Financials and DOI Actuary (A) - (D)	(F) Difference: Trust's Actuary 2015 Audit and DOI Actuary (B) - (D)
IBNR						
Medical	\$558,000	\$879,000	(\$321,000)	\$1,042,951	\$484,951	\$163,951
Dental	31,400	31,000	400	34,203	2,803	3,203
Total IBNR	<u>\$589,400</u>	<u>\$910,000</u>	<u>(\$320,600)</u>	<u>\$1,077,154</u>	<u>\$487,754</u>	<u>\$167,154</u>

The Trust's general ledger accounts were adjusted as of June 30, 2016 to reflect the 2015 IBNR developed by the Trust's actuary of \$910,000. In the financial statement for the quarter ending December 31, 2016, the Trust reported the quarterly reserve estimate of \$910,000 in line 2, *Incurring but not reported (IBNR) liability*, on the Liabilities and Surplus page of the Self-Funded Health Care Plans Idaho Code Title 41 Chapter 40 Quarterly Statement. The change in quarterly reserve estimates of \$320,600 was reported in Line 8, *Change in IBNR* in the Statement of Income. Therefore, the balances reported in the 2016 general ledger and financial statements reflected the 2015 IBNR determined by the Trust's Actuary. However, the IBNR reserves as of December 31, 2015 were still deficient by \$167,154.

To adjust for the difference between the 2015 IBNR developed by the Trust's Actuary and the Department's actuary, the following changes were made in the Financial Statements of this examination report.

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Changes in Financial Statements Resulting From Examination

	<u>Per 2015</u> <u>Audit Report</u>	<u>Exam</u> <u>Change</u>	<u>Per</u> <u>Examination</u>
<u>Statements of Plan's Benefit Obligations</u>			
Estimated claims incurred but not reported	\$ 910,000	\$167,154	\$1,077,154
Total Obligations Other Than Post-Retirement Benefit Obligations	1,210,744	167,154	1,377,898
Total Benefit Obligations	1,296,675	167,154	1,463,829
 <u>Statements of Changes in Plan's Benefit Obligations</u>			
Estimated claims incurred but not reported	160,000	163,951	323,951
Medical and dental claims payable	96,667	3,203	99,870
Balance, end of year	1,210,744	167,154	1,377,898
Total Obligations Other Than Post-Retirement Benefit Obligations	1,210,744	167,154	1,377,898
Total Benefit Obligations	1,296,675	167,154	1,463,829

NOTES TO FINANCIAL STATEMENTS

Note (1) Undesignated fund \$7,939,569

Under the Memorandum of Agreement between the City of Boise and the Fire and Police Unions dated and signed on October 12, 2010, the City of Boise contributed \$3 million to the Trust as the starting reserve for health care costs of its Plan participants. A subsequent payment of \$1.4 million was made within 12 months of the Trust's inception date.

Note (2) Designated for rate stabilization reserve \$5,560,914

Beginning January 2, 2011, the City of Boise paid to the Trust an amount equal to 2 percent of the monthly base salaries of all active Fire Department bargaining unit members and 1.5 percent of the monthly base salaries of all active Police Department bargaining unit members for the purpose of funding a Rate Stabilization Fund to be maintained by the Trust for use as determined by the Trustees. Effective April 1, 2011, the rate was increased to 4 percent of the monthly base salaries of all active employees represented by either of the Unions and all active non-bargaining uniformed administrative employees receiving health care coverage under the Plan. Beginning October 1, 2012, the rate increased to 4.5 percent.

The Trust utilizes the Rate Stabilization Fund to subsidize retiree payments for health insurance and currently pays 65 percent of retiree contributions. During the year ended December 31, 2015, the Trust collected \$1,767,090 of rate stabilization contributions. \$913,521 was used to subsidize retiree payments for health insurance. At December 31, 2015, the Trust has designated \$5,560,914 for the Rate Stabilization Reserve.

Note (3) Obligations for Current Benefit Coverage, at Actual and Estimated Amounts:

Estimated claims incurred but not reported	\$1,077,154
Medical and dental claims payable	300,744

Elaine T. Corrough, FSA, FCA, MAAA, Partner & Consulting Actuary, with Axene Health Partners, LLC, was retained by the Trust to certify the reserves as of December 31, 2015 in accordance with the reserve requirements specified below:

- Idaho Code § 41-4010, Item 1(a), which specifies that reserves be established and maintained "in an amount as certified by a member of the American Academy of Actuaries as being necessary for payment of claims against the trust fund for benefits including both claims reported and not yet paid and claims incurred but not yet reported".
- Idaho Administrative Code IDAPA 18.01.27.026, Item 03, which specifies that reserves "must be certified annually by an actuary who meets the requirements of Idaho Code § 41-4005(6), such certification must be accompanied by a statement describing bases used in reserve determination. The certification shall be in a form acceptable to the Director."

While Ms. Corrough certified to the methodology and resulting reserve requirement as calculated and presented, she was unable to certify that the Trust met the specific Code requirements since the reported liabilities on the December 31, 2015 unaudited financial statements were lower than her estimate of the required reserves. Therefore, with respect to the reserve held by the Trust, the actuary's opinion was qualified in that the reserves held by the Trust as of December 31, 2015 did not meet the requirements as specified in Idaho Code § 41-4010 and IDAPA 18.01.27.026.

As previously reported, an actuarial examination was conducted for the Department by Michael A. Mayberry, F.S.A., M.A.A.A., of Lewis & Ellis, Inc., in Richardson, Texas. The following summarizes Lewis & Ellis' best estimate of the IBNR liability compared to the Trust's IBNR liability as of December 31, 2015:

	(A) <u>Reported by Trust</u> <u>(unaudited)</u>	(B) <u>Reported by Trust's</u> <u>Actuary & Audit report</u>	(C) <u>Lewis & Ellis recast</u> <u>as of January 2017</u>	(D) <u>Difference</u> <u>(A - C)</u>
Medical	\$558,000	\$879,000	\$1,042,951	(\$484,951)
Dental	<u>31,400</u>	<u>31,000</u>	<u>34,203</u>	<u>(2,803)</u>
Total IBNR	<u>\$589,400</u>	<u>\$910,000</u>	<u>\$1,077,154</u>	<u>(\$487,754)</u>

Based on this analysis, Lewis & Ellis believes the IBNR liability reported by the Trust in its unaudited financial statements as of December 31, 2015 is inadequate by \$487,754. Lewis & Ellis then reviewed the 2016 IBNR estimate based on the triangles as of January 2017 and estimated an IBNR of \$1.075 million. The Trust's actuary estimated an IBNR of \$1.1 million for year-end 2016. Assuming the Trust booked \$1.1 million estimated by its actuary, Lewis & Ellis concluded that IBNR as of December 31, 2016 is reasonable. See *Analysis of Changes in Financial Statements Resulting From Examination and Reserve Deficiency at Year-End 2015* under COMMENTS AND RECOMMENDATIONS for additional information.

Note (4)	Post-retirement Benefit Obligations:	
	Current retirees	\$14,301
	Other participants fully eligible for benefits	15,123
	Other participants not fully eligible for benefits	56,507

Axene Health Partners, LLC along with Bartel Associates, LLC completed the actuarial valuation for postretirement benefit obligations as of December 31, 2015 in accordance with Financial Accounting Standards Board Accounting Standard Codification (ASC) 965-30.

COMMENTS AND RECOMMENDATIONS

A. Cash on Deposit

The Trust's external auditors, Anastasi, Moore & Martin, PLLC, confirmed the deposit (balance) in the Trust's bank account at DL Evans Bank as of December 31, 2015. The Trust's deposit with DL Evans Bank as of December 31, 2015 exceeded FDIC insurance and was therefore, not in compliance with Idaho Code § 41-4009(1)(e) at the examination date.

Pursuant to Idaho Code § 41-4009(1)(e), the trustees may invest trust funds in deposits in chartered banks and savings and loan associations located in the United States. However, an investment in any one such institution may not be in excess of the amount covered by applicable deposit insurance, unless otherwise authorized by the director. Currently, the Federal Deposit Insurance Corporation (FDIC) coverage limit per depositor (account holder) per insured bank is \$250,000. This amount includes principal and accrued interest through the bank's closing date.

Recommendation:

It is recommended that the Trust take measures to be in compliance with Idaho Code § 41-4009 (1)(e).

During the examination period, the Trust established an Insured Cash Sweep (ICS) account with DL Evans Bank to mitigate the risk of excess deposit uninsured by the FDIC. The Trust will maintain a balance sufficient to cover weekly or monthly disbursement obligations absent an extraordinary expenditure in the main account. The maintaining balance within the main account may be kept above \$250,000 upon annual approval by the Department based on its review of the preceding year's claims paid weekly or monthly and evidence of good financial condition of the financial institution where deposits are held. This is with the understanding that the remaining balance of the Trust's cash assets deposited with DL Evans Bank shall be distributed in accounts at other depository institutions not exceeding \$250,000 via the ICS account.

In a letter to the Trust dated February 27, 2017, the Department authorized the Trust to maintain a balance in a single account at DL Evans Bank in excess of the federal deposit insurance limit only up to the amount sufficient to cover weekly or monthly disbursement obligations which should not exceed a total balance equal to 5 percent of the Trust's net assets (surplus).

B. Quarterly Reserve Estimates

On August 13, 2013, the Trust requested permission to have DiMartino Associates, a person other than a qualified actuary, calculate the quarterly reserve estimate. In a letter dated December 6, 2013, the Department accepted DiMartino Associates as a qualified person on conditions set forth in that letter.

In a meeting held with the Department and representatives of the Trust on January 17, 2017, it was indicated that quarterly reserve estimates were being made by DiMartino Associates. However, those estimates were not booked in the general ledger accounts or reflected in the quarterly financial reports submitted to the Idaho Department of Insurance. Therefore, it appears that the reserves were not adjusted on a quarterly basis as required by Idaho Code § 41-4010(1)(a). It was also indicated there weren't any written policies and procedures regarding the quarterly reserve estimates.

Consequently, the appointed actuary issued a qualified actuarial opinion as of December 31, 2015 and the Department's examining actuary determined that the IBNR liability reported by the Trust was inadequate. The reserves are discussed in more detail in Note 3 to the Financial Statements.

Recommendation:

It is recommended that the Trust take measures to ensure that IBNR is in compliance with Idaho Code § 41-4010 and IDAPA 18.01.27.026 at all times.

It is also recommended that written policies and procedures be implemented by the Trust, its consultants, and third party administrators to ensure that quarterly reserves are estimated and provided to the Trust in a timely manner. The quarterly reserve estimates should be booked in the Trust's general ledger accounts and be properly reflected in the quarterly financial reports. Starting fourth quarter 2016, the quarterly reserve estimates should be reported in line 2, *Incurring but not reported (IBNR) liability*, on the Liabilities and Surplus page of the Self-Funded Health Care Plans Idaho Code Title 41 Chapter 40 Quarterly Statement. The change in quarterly reserve estimates should be reported in Line 8, *Change in IBNR* in the Statement of Income. Internal controls should be implemented to ensure that the policies and procedures surrounding the quarterly reserve estimates, proper recording in the accounting records, and financial reporting are in place and are operating effectively. The Trust's external auditors should test these internal controls as part of their annual audits to determine that the controls are working as designed.

Finally, it is recommended that the Trust meet the conditions set forth in the Department's letter of December 6, 2013, which are reproduced below:

1. *For annual financial reports, the Trust will continue to use a qualified actuary as provided for in Idaho Code [Idaho Code § 41-4010(1)(a)]. The annual reports will be accompanied by a certified actuarial opinion.*

2. *Quarterly reports are due within 60 days of the end of the Quarter. Therefore, DiMartino Associates should timely provide the Trust with the quarterly IBNR estimate to be used in the quarterly report.*

3. *The request to use a person other than a certified actuary for the quarterly reports must be renewed annually. This request must include an example of prior work. This example will reconcile a prior expected incurred claims' amounts and the actual to expected incurred claims ratios for the months that contributed to the prior IBNR reserve estimate.*

4. *If any individuals other than the ones listed in the request letter are to perform the quarterly calculation, they must be approved by the Department prior to providing the IBNR estimate.*

During the course of the examination, the Trust has adopted the examination recommendations. In an e-mail dated April 26, 2017, the Trust requested that specific personnel from DiMartino Associates be authorized as "other qualified person(s)" pursuant to Idaho Code § 41-4010(1)(a), to determine and reasonably adjust on a quarterly basis the Trust's IBNR reserve. The Trust will employ methods and procedures for estimating quarterly reserves recommended to it by its actuary. In a letter to the Trust dated July 31, 2017, the Department authorized the Trust's request with conditions contained within the letter. The authorization is valid through the year ending December 31, 2018.

C. Reserve Deficiency at Year-End 2015

Elaine T. Corrough, FSA, FCA, MAAA, Partner & Consulting Actuary, with Axene Health Partners, LLC, was retained by the Trust to certify the reserves as of December 31, 2015.

While Ms. Corrough certified to the methodology and resulting reserve requirement as calculated and presented, she was unable to certify that the Trust met the specific Code requirements since the reported liabilities on the December 31, 2015 unaudited financial statements were lower than her estimate of the required reserves. Therefore, with respect to the reserve held by the Trust, the actuary's opinion was qualified in that the reserves held by the Trust as of December 31, 2015 did not meet the requirements as specified in Idaho Code § 41-4010 and IDAPA 18.01.27.026.

An actuarial examination was conducted for the Idaho Department of Insurance by Michael A. Mayberry, F.S.A., M.A.A.A., of Lewis & Ellis, Inc., in Richardson, Texas. The purpose of the actuarial examination was to issue an opinion on the adequacy of the incurred but not reported claims (IBNR) reported by the Trust as of December 31, 2015.

To determine the appropriateness of the Trust's IBNR, Lewis & Ellis performed an independent analysis of the reserve based on historical claim triangles using historical lag reports through January of 2017. The following summarizes Lewis & Ellis' best estimate of the IBNR liability compared to the Trust's IBNR liability as of December 31, 2015:

	(A) Reported by Trust in Unaudited financial statements	(B) Developed by Trust's Actuary & reported in 2015 Audit report	(C) Difference: (A) - (B)	(D) DOI Actuary recast as of January 2017	(E) Difference: Unaudited Financials and DOI Actuary (A) - (D)	(F) Difference: Trust's Actuary 2015 Audit and DOI Actuary (B) - (D)
IBNR						
Medical	\$558,000	\$879,000	(\$321,000)	\$1,042,951	\$484,951	\$163,951
Dental	<u>31,400</u>	<u>31,000</u>	<u>400</u>	<u>34,203</u>	<u>2,803</u>	<u>3,203</u>
Total IBNR	<u>\$589,400</u>	<u>\$910,000</u>	<u>(\$320,600)</u>	<u>\$1,077,154</u>	<u>\$487,754</u>	<u>\$167,154</u>

Based on this analysis, Lewis & Ellis believes the IBNR liability reported by the Trust as of December 31, 2015 is inadequate by \$487,754 at year-end 2015.

The Trust's general ledger accounts were adjusted as of June 30, 2016 to reflect the 2015 IBNR developed by the Trust's actuary, \$910,000. In the financial statement for the quarter ending December 31, 2016, the Trust reported the quarterly reserve estimate of \$910,000 in line 2, *Incurring but not reported (IBNR) liability*, on the Liabilities and Surplus page of the Self-Funded Health Care Plans Idaho Code Title 41 Chapter 40 Quarterly Statement. The change in quarterly reserve estimates of \$320,600 was reported in Line 8, *Change in IBNR* in the Statement of Income. Therefore, the balances reported in the 2016 general ledger and financial statements reflected the 2015 IBNR determined by the Trust's Actuary. However, the IBNR reserves as of December 31, 2015 were still deficient by \$167,154.

Lewis & Ellis then reviewed the 2016 IBNR estimate based on the triangles as of January 2017 and estimated an IBNR of \$1.075 million. The Trust's actuary estimated an IBNR of \$1.1 million for year-end 2016. Assuming the Trust booked \$1.1 million estimated by their actuary, Lewis & Ellis concludes that IBNR as of December 31, 2016 is reasonable.

Recommendation:

It is recommended that the Trust take measures to ensure that IBNR is in compliance with Idaho Code § 41-4010 and IDAPA 18.01.27.026 at all times.

The Department will not require the Trust to refile financial statements. However, it is recommended that adjusting entries be made by the Trust that will be filed together with their most current required filing to show details of the IBNR. The financial statements within the Report of Examination were adjusted for the year-end 2015 IBNR reserve deficiency. See *Changes in Financial Statements Resulting From Examination* under FINANCIAL STATEMENTS for adjustments made.

It is further recommended that recommendations set forth in *Quarterly Reserve Estimates* are applicable to this examination finding as well. During the course of the examination, the Trust has adopted the examination recommendation.

D. Adequacy of Plan Contribution Rates (MedSup)

Self-funded plans regulated under Title 41, Chapter 40 of the Idaho Code are required to submit an actuarial study supporting the adequacy of the rates as described in Idaho Code § 41-4005(2)(e) 30 days before the effective date.

Furthermore, contribution rates shall be calculated at least annually by a qualified actuary pursuant to IDAPA 18.01.27.028. The contribution rate calculations should be broken down and designated as the rate for the employer and the rate per employee. Employer contributions shall be based on filed rates, paid in advance on a periodic basis during the period of coverage or at the beginning of the period of coverage. The required annual filing of rates with the Director shall include the breakdown by employer and employee.

The Trust offers four self-funded group health plans, one of which involves a capitated care arrangement. In August 2016, the Board of Trustees approved offering a self-insured Medicare Supplement Plan effective January 1, 2017.

Recommendation:

It is recommended that the Trust delay offering the Medicare Supplement Plan until an actuarial study showing sufficiency and adequacy of the rates in accordance with Idaho Code § 41-4004(2)(a) is submitted to the Department 30 days prior to the effective date.

It is further recommended that the Trust submit an annual actuarial study for the contribution rates. On November 22, 2017, the Trust submitted an actuarial study relative to the 2018 rates and the Department found the rates relative to the Trust's current plans for the next plan year to be sufficient and adequate as prescribed by Idaho Code § 41-4004(2)(a) and IDAPA 18.01.27.028.

If the rates change for the plans offered by the Trust, it is recommended that the Trust submit an actuarial study as required by Idaho Code § 41-4004(2)(a).

In an e-mail to the Department dated March 14, 2017, the Trust requested to withdraw the Medicare Supplement Plan filings while the Trust further considers whether to implement that Plan given the requirements to conduct actuarial studies and the associated feasibility. The Trust complied with our recommendation during the examination and the Medicare Supplement Plan was not offered as of the date of this report.

E. Investment Policy, Objectives and Guidelines

Section 1 of the Investment Policy, Objectives and Guidelines adopted September 7, 2011 and August 31, 2016, (Investment Policy) states that the Investment Policy should be reviewed annually by the Board of Trustees. Based on a review of the minutes, it appears the Investment Policy was not reviewed annually for some of the years under examination (2014 and 2015). According to management, although the Trustees have not engaged in a scheduled annual review of the Investment Policy, the Trustees have reviewed the Trust Investment Policy from time to time. Since the review of the Investment Policy by the Trustees is not set on a regular schedule

and records of the review were not kept during the years under examination, the examination was not able to determine if the Board of Trustees is in compliance with their own Investment Policy. Section 4 of the Investment Policy states the Board of Trustees are to review actual investment results achieved by the investment manager. Management indicates the Trustees review the investment manager's quarterly account statements and quarterly reports and review the performance of the investment portfolio at each Trustees' meeting. However, these reviews are not documented in the Trust's minutes.

Pursuant to Idaho Code § 41-4011(1), the trustee of a self-funded plan shall cause full and accurate records and accounts to be entered and maintained during all times of the existence of the Trust covering all financial transactions and affairs of the trust fund. This code provision is further clarified under IDAPA 18.01.27.030.02 requiring the Board of Trustees to retain full and accurate accounts of the plan including but not limited to minutes of meetings of the board of trustees that document the acts, resolutions, appointments or delegations of the trustees; any and all correspondence between the board of trustees and contractors; accounting and actuarial records; and any and all records, correspondence, minutes, or statements as required by law or the trust agreement.

Therefore, records of actions performed by the board such as the review of quarterly account statements, reports and performance of the investment portfolio, and review of the Investment Policy during or outside of the Trustees' meeting must be maintained.

Recommendation:

It is recommended that the Trust minutes comply with the requirements of Idaho Code § 41-4011(1) and IDAPA 18.01.27.030.02. Additionally, it is recommended that the Trust comply with its own policies and procedures for internal control purposes.

In an e-mail to the Department dated February 21, 2017, the Trust's Legal Counsel and Trust's Consultant agreed that the reviews should be conducted and documented. The Trust's Legal Counsel will ensure that occurs at future meetings.

F. Maintenance of Records

The minutes did not document whether the CPA's required communications (and audit report) were presented to the Board of Trustees in 2013 (for the 2012 audit), 2015 (for the 2014 audit), and 2016 (for the 2015 audit). An e-mail from management dated February 21, 2016 stated that they believed the 2015 audit was e-mailed to the Trustees. Regarding the 2016 CPA audit, Trust management indicated the auditor plans on attending a Trust meeting either in person or via phone.

Pursuant to Idaho Code § 41-4011(1), the trustee of a self-funded plan shall cause full and accurate records and accounts to be entered and maintained during all times of the existence of the trust covering all financial transactions and affairs of the trust fund. This code provision is further clarified under IDAPA 18.01.27.030.02 requiring the Board of Trustees to retain full and accurate accounts of the plan including but not limited to minutes of meetings of the board of

trustees that document the acts, resolutions, appointments or delegations of the trustees; any and all correspondence between the board of trustees and contractors; accounting and actuarial records; and any and all records, correspondence, minutes, or statements as required by law or the trust agreement.

The presentation of audit reports to the Board of Trustees, its review and approval, or any concerns the Trustees may have regarding the audit reports are affairs of the Trust and should form part of the records to be maintained by the Trustees.

Recommendation:

It is recommended that the Trust minutes comply with the requirements of Idaho Code § 41-4011(1) and IDAPA 18.01.27.030.02.

G. Complaint Handling Procedures

The Trust's Medical/Prescription Medication/Vision Plans provide for a three-step claims appeal process, whereby the Claims Administrators (Regence BlueShield of Idaho, Inc. for medical/vision and Sav-Rx for prescription medication) have complete responsibility for the mandatory first and second step internal appeals of claim denials. There is no process currently in place for the Claims Administrators to give notice to the Trust or its third party administrator, BSI, of the filing or disposition of claims appeals resolved during the internal appeal process.

After exhausting the two-step internal appeal process, a Plan Participant may submit a third level voluntary appeal to the Board of Trustees. The Trust has not, to date, requested its third party administrator, BSI, to notify the Trust of grievances outside of the voluntary appeal process or to track "complaints" in accordance with Idaho Code § 41-1330. However, it should be noted that most of the complaints received by BSI are verbal, and are recorded in BSI's call log, which documents the nature of the call, the disposition of the complaint, and the duration of each call. BSI reports quarterly to the Trustees on all service calls and if requested, BSI can add a specific line for complaints.

Pursuant to Idaho Code § 41-1330, every authorized insurer shall maintain a complete record of all the complaints which it has received since the date of its last examination under Idaho Code § 41-219. This record shall indicate the total number of complaints, their classification, the nature of each complaint, the disposition of these complaints, and the time it took to process each complaint.

It should be noted that the Trust has the primary responsibility to maintain full and complete complaint logs. Although the Trust has delegated the responsibility of resolving the first and second step internal appeals for claim denials, the agreement between the claims administrators and the Trust is silent about the management and maintenance of the complaint logs with all the information required under Idaho Code § 41-1330. Also, the Trust's agreement with BSI does not specifically include the delegation of the Trust's duty to maintain compliant complaint logs to BSI.

Recommendation:

It is recommended that if it is the Trust's intention to delegate the maintenance of complaint logs to its administrators, the written agreement should clearly state so. The agreements with its administrators should include that the complaint log must be compliant to the requirements under Idaho Code § 41-1330 and other applicable laws.

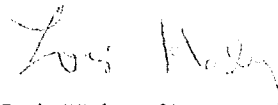
It is also recommended that the Trust develop a formal written policy for filing and disposition of complaints including required notices from administrators regarding complaints and its disposition, and grievances outside of the voluntary appeal process. If the formation of these policies are or will be delegated to its administrators, it should be reflected in the agreements. The final review and approval of these policies should be performed by the Board of Trustees and the record of such affairs shall be entered in the Trust's records.

Trust counsel drafted a Department of Insurance Complaint Policy that was adopted by the Board of Trustees on April 18, 2017. As of the date of this report, the Trust is working towards becoming compliant with Idaho Code § 41-1330.

ACKNOWLEDGEMENT

Michael A. Mayberry, F.S.A., M.A.A.A., of Lewis & Ellis, Inc., performed the actuarial phases of the examination. Hermoliva Abejar, CFE, Deputy Chief Examiner, of the 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 and representatives of the Trust.

Respectfully submitted,



Lois Haley, CFE
Examiner-in-Charge
Representing the Idaho Department of Insurance

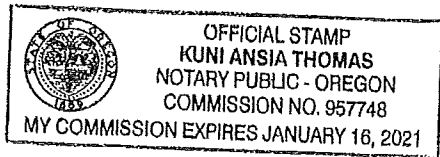
AFFIDAVIT OF EXAMINER

Oregon
Multnomah

Lois Haley, being duly sworn, deposes and says that she is a duly appointed Examiner for the Department of Insurance of the State of Idaho, that she has made an examination of the affairs and financial condition of Boise Fire & Police Trust for the period from December 28, 2010 through December 31, 2015 and subsequent, that the information contained in the report consisting of the foregoing pages is true and correct to the best of her knowledge and belief; and that any conclusions and recommendations contained in this report are based on the facts disclosed in the information.

Lois Haley
Lois Haley
On behalf of Idaho Department of Insurance

Subscribe and sworn to before me the 7th day of Feb., 2018, at Portland, Oregon.



[Signature]
Notary Public

My Commission Expires: January 16th 2021