

FILED
APR 26 2022
Department of Insurance
State of Idaho

**BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE
STATE OF IDAHO**

In the Matter of:

SURPLUS LINE ASSOCIATION OF
IDAHO, INC.,

Registration No. 2044

Docket No. 18-4095-22

**ORDER ADOPTING REPORT
OF EXAMINATION AS OF
DECEMBER 31, 2020**

The Idaho Department of Insurance (“Department”), in accordance with Idaho Code § 41-1427, has examined the affairs, transactions, accounts, records, and assets of the Surplus Line Association of Idaho, Inc. (the “Association”) for the period of January 1, 2016, through December 31, 2020. The Department also has prepared a verified Report of Examination (the “Report”) under Idaho Code § 41-227. A copy of the Report is attached as Exhibit “A.”

Having reviewed the record, the Department’s Director enters this order adopting the Report as filed.

FINDINGS OF FACT

1. The Association is a quasi-governmental entity incorporated in Idaho as a not-for-profit trade/advisory organization. The Association was duly registered with the Department on December 31, 1957, under Registration No. 2044 and is operated under the general supervision of the Department.

2. On or about April 1, 2022, the Department completed a modified risk-focused examination of the Association under Chapters 2 and 12 of Idaho Code Title 41. The Report of Examination sets forth the Departments findings. See Exhibit "A".

3. Per Idaho Code § 41-227(4), on April 1, 2022, the Department's examiner-in-charge filed the Report with the Department and transmitted a copy of the Report to the Association.

4. On April 14, 2022, the Department received a Waiver from the Association signed by the Association's Manager, Wendy Tippets. A copy of the Waiver is attached as Exhibit "B." By executing the Waiver, the Association consented to the immediate entry of a final order by the Director adopting the report without any modifications. The Association also waived its right to (1) examine the Report for not more than 30 days; (2) make a written submission or rebuttal to the Report prior to entry of a final order; (3) request a hearing; and (4) seek reconsideration or appeal from the Director's final order.

CONCLUSIONS OF LAW

5. Idaho Code § 41-227(5) requires the Director to fully consider and review the Report, together with any written submissions or rebuttals and any relevant portions of the examiner's work papers and enter an order adopting the Report as filed or with modifications or corrections, rejecting the Report and reopening the examination, or calling for an investigatory hearing.

6. Having fully considered the Report and the record, the Director concludes that, regarding the matters examined, the Report's comments, findings, and recommendations are appropriate and are incorporated herein as if set forth in full.

ORDER

NOW, THEREFORE, IT IS ORDERED that the Report is adopted as filed.

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

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

DATED AND EFFECTIVE this 26th day of April, 2021.

STATE OF IDAHO
DEPARTMENT OF INSURANCE



DEAN L. CAMERON
Director

NOTIFICATION OF RIGHTS

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

Any such motion for reconsideration shall be served on the Director of the Idaho Department of Insurance, addressed as follows:

Dean L. Cameron, Director
Idaho Department of Insurance
700 W. State Street, 3rd Floor
P.O. Box 83720
Boise, ID 83720-0043

Pursuant to Idaho Code §§ 67-5270 and 67-5272, any party aggrieved by this final order or orders previously issued in this case may file a petition for judicial review in the district court of the county in which:

- i. A hearing was held;
- ii. The final agency action was taken;
- iii. The party seeking review of the order resides, or operates its principal place of business in Idaho; or
- iv. The real property or personal property that was the subject of the agency action is located.

A petition for judicial review must be filed within 28 days of: (a) the service date of this final order, (b) the service of an order denying motion for reconsideration, or (c) the failure within 21 days to grant or deny a motion 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. Idaho Code § 67-5274.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that, on this 26th day of April, 2022, I caused a true and correct copy of the foregoing ORDER ADOPTING REPORT OF EXAMINATION AS OF DECEMBER 31, 2020, to be served upon the following by the designated means:

Wendy Tippetts Registered Agent SURPLUS LINE ASSOCIATION OF IDAHO, INC. 595 South 14 th Street Boise, ID 83702	<input type="checkbox"/> First Class Mail <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Hand Delivery <input type="checkbox"/> Facsimile <input checked="" type="checkbox"/> Email: wendy@idahosurplusline.org
Eric Fletcher Bureau Chief IDAHO DEPARTMENT OF INSURANCE 700 W. State Street, 3 rd Floor Boise, ID 83720-0043	<input type="checkbox"/> First Class Mail <input type="checkbox"/> Certified Mail <input type="checkbox"/> Hand Delivery <input type="checkbox"/> Facsimile <input checked="" type="checkbox"/> Email: eric.fletcher@doi.idaho.gov
Karl T. Klein Deputy Attorney General IDAHO DEPARTMENT OF INSURANCE 700 W. State Street, 3 rd Floor P.O. Box 83720 Boise, ID 83720-0043	<input type="checkbox"/> First Class Mail <input type="checkbox"/> Certified Mail <input type="checkbox"/> Hand Delivery <input type="checkbox"/> Facsimile <input checked="" type="checkbox"/> Email: karl.klein@doi.idaho.gov


Pamela Murray

DEPARTMENT OF INSURANCE

STATE OF IDAHO



REPORT OF EXAMINATION

Of

SURPLUS LINE ASSOCIATION OF IDAHO, INC.
(advisory organization)

As of
December 31, 2020

EXHIBIT

A

exhibitster.com

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Boise, Idaho
April 1, 2022

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 Section 41-219(1), Idaho Code, we have conducted an examination as of December 31, 2020, of the administrative affairs, books, records, and financial condition of:

Surplus Line Association of Idaho, Inc.
595 South 14th Street
Boise, ID 83702

Hereinafter referred to as the ("Association"), at the primary location of its books and records in Boise, Idaho. The following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

We have performed our single state examination of Surplus Line Association of Idaho, Inc. The prior exam was completed as of December 31, 2015. This examination covers the period of January 1, 2016, through December 31, 2020.

Examination Procedures Employed

Our examination was conducted in accordance with Chapters 2 and 12 of Idaho Code Title 41. Due to the nature of the Association, the examination was conducted as a modified risk-focused examination; key exhibits from the NAIC *Financial Condition Examiners Handbook* were utilized and customized as appropriate for this examination.

The Association is incorporated as a not-for profit organization under the general supervision of the Idaho Department of Insurance. The Department has delegated the responsibility of determining eligibility for export of surplus lines of insurance through brokers licensed by the Department, pursuant to Idaho Code §§ 41-1216 & 41-1217.

The Association retained the services of a certified public accounting firm, Coles Reinstein, PLLC to review its financial records for the years under examination. The firm provided the examiner with access to requested work papers prepared in connection with its reviews. The external audit work was relied upon where deemed appropriate.

All accounts and activities of the Association were considered during the examination process. The initial phase of the examination focused on evaluating the Association's corporate governance and control environment, as well as a business approach, in order to develop an examination plan tailored to the Association's individual operating profile.

Interviews were held with Association Manager, Wendy Tippetts, Board President, Jan Christensen, and external auditor, Jason Coles, to gain an understanding of the entity's operating profile and control environment.

A letter of representation certifying that administrative staff disclosed all significant matters and records was obtained from the Association and was included in the examination workpapers.

Status of Prior Examination Findings

Our examination included a review to determine the status of any examination findings in our preceding Report of Examination, dated December 31, 2015, which covered the period from January 1, 2011, through December 31, 2015. We determined that the preceding Report of Examination did not contain any examination findings.

SUMMARY OF SIGNIFICANT FINDINGS

Our examination did not disclose any material adverse findings or any adjustments that impacted the Association's financial statements.

SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the spreading Novel Coronavirus Diseases, COVID-19, a pandemic. On March 13, 2020, the United States declared the COVID-19 pandemic as a national emergency. COVID-19 has created economic disruptions on a global scale which has led to uncertainty about the overall economic impact to financial markets. At this time, the full effect of COVID-19 on the Association is unknown. In a coordinated effort, the Association and the Department will continue to monitor the effects of the pandemic to the Association.

ASSOCIATION HISTORY

General

The Association is a quasi-governmental entity organized on January 1, 1958, under Title 41, Chapter 12, Idaho Code, and IDAPA 18.06.06. The Association was incorporated under the laws of the State of Idaho as a not-for-profit trade association on March 12, 1972. The Association received its tax exemption certificate from the Internal Revenue Service in December 1972, under Internal Revenue Code Section 501(c)(6).

The Association is independently governed by a Board of Directors ("Board") elected by Association membership. The Association assists the Department in regulating Surplus Lines of insurance and facilitates compliance for its members with all provisions of Title 41, Chapter 12.

Dividends and Capital Contributions

There were no dividends or capital contributions.

Mergers and Acquisitions

There were no mergers or acquisitions.

ASSOCIATION RECORDS

The meetings of the Boards were conducted on an annual basis for all the years under examination. Meeting minutes were kept for all meetings and included membership elections, discussion and approval of investments, revenue and expenses, and code of conduct.

The Prior Examination Report as of December 31, 2015, was distributed to the Board on December 28, 2016.

MANAGEMENT AND CORPORATE GOVERNANCE

Pursuant to the Association's Bylaws, any person licensed as a surplus line broker in the State of Idaho shall become a member of the Association. The governing body of the Association is the Board. The Board consists of nine members including the President, Vice-President/President-Elect, Secretary-Treasurer, and the Immediate Past President. Five directors elected to the Board shall represent the five geographical areas of the state of Idaho, with one director residing in and representing the geographic area ("Regional Director").

The following persons serve as current directors of the Association:

<u>Name & City</u>	<u>Association Position</u>
Jan Christensen Boise, ID	President
Greg Swenson Boise, ID	Vice-President/President-Elect
Ron Howell Pocatello, ID	Secretary Treasurer
Gail Johnson Boise, ID	Immediate Past President
Darrell Kerby Bonners Ferry, ID	Region I Director
Mike Martin Lewiston, ID	Region II Director
Tom L. Webster Eagle, ID	Region III Director
Jacob Florence Twin Falls, ID	Region IV Director
DeRay Perry Idaho Falls, ID	Region V Director

Agreements and Contracts

The Association, under the general supervision of the Department, has been delegated various responsibilities and requirements. The Board delegated management of the Association to Association Services, Group, Inc. ("ASG"). ASG is an association management firm providing a variety of managerial and other services to trade associations. Wendy Tippetts is the President/Owner of ASG and is the Manager and registered agent of the Association.

FIDELITY BONDS AND OTHER INSURANCE

As of December 31, 2020, the Association had fidelity bond coverage of \$1,000,000. The Association has additional insurance protection for the Boise office and personal property therein, workers compensation, liability, and cyber security coverage.

GROWTH OF THE ASSOCIATION

	2016	2017	2018	2019	2020
Stamping Fees	\$471,275	\$551,712	\$585,418	\$766,174	\$930,370
Unrestricted Net Assets	\$2,254,690	\$2,562,375	\$2,838,744	\$3,511,434	\$4,358,703
Stamping Fees to Net Unrestricted Assets	21%	22%	21%	22%	21%

ACCOUNTS AND RECORDS

The annual independent reviews of the Association for the years 2016 through 2020 were completed by Coles & Reinstein, PLLC, Boise, Idaho. Their reviews were made available for the examination.

FINANCIAL STATEMENTS

The following financial statements are based on the audited financial statements filed by the Association with the Department and present the financial condition of the Association for the period ending December 31, 2020.

The financial section of this report contains the following statements:

Statement of Assets and Liabilities

Statement of Revenues, Expenses, and Changes in Net Assets

Statement of Assets and Liabilities - Modified Cash Basis

ASSETS

Cash	\$ 122,826
Short-term investments, at market value	4,202,711
Property and equipment, at cost, less accumulated depreciation	33,166
	<u>\$4,358,703</u>

LIABILITIES AND NET ASSETS

Net Assets Unrestricted	
Designated	\$1,000,000
Undesignated	3,358,703
	<u>\$4,358,703</u>

Statement of Revenues, Expenses and Changes in Net Assets - Modified Cash Basis

Unrestricted Revenues and Other Support

Stamping fees	\$ 930,370
Investment income	235,605
Rent	10,800
Other income	1,732
	<u>\$1,178,507</u>

Expenses

Management fees	\$ 160,000
Depreciation	63
Insurance	7,133
Legal and accounting	8,520
Maintenance	93,273
Office expense	1,380
Travel	49,839
Other expenses	11,030
	<u>\$ 331,238</u>

Net change in unrestricted net assets

\$ 847,269

Unrestricted net assets, beginning of year

\$3,511,434

Unrestricted net assets, end of year

\$4,358,703

Analysis of Changes in Financial Statements Resulting from Examination

There were no adjustments to the financial statements resulting from the examination.

SUMMARY OF RECOMMENDATIONS

There are no findings and recommendations noted in this Report of Examination.

ACKNOWLEDGEMENT

The undersigned acknowledge the assistance and cooperation extended during the course of the examination by management and representatives of the Association.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Heidi Carey".

Heidi Carey, CPA
Examiner-in-Charge
Idaho Department of Insurance

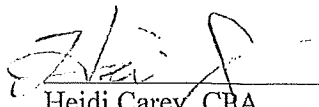
A handwritten signature in cursive script, appearing to read "Jessie L. Adamson".

Jessie L. Adamson, CFE
Deputy Chief Examiner
Idaho Department of Insurance

AFFIDAVIT OF EXAMINER

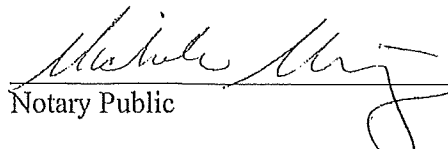
Idaho
Ada

Heidi Carey, being duly sworn, deposes and says that they are a duly appointed Examiner for the Department of Insurance of the State of Idaho, that they have made an examination of the affairs and financial condition of Surplus Line Association of Idaho for the period January 1, 2016 through December 31, 2020, that the information contained in the report consisting of the foregoing pages is true and correct to the best of their knowledge and belief; and that any conclusions and recommendations contained in this report are based on the facts disclosed in the information.

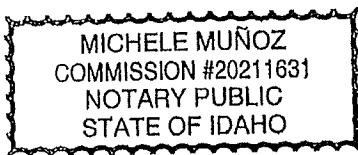


Heidi Carey, CPA
Examiner in-Charge
Idaho Department of Insurance

Subscribe and sworn to before me the 1st day of April, 2022, at Boise (City),
ID (State).



Notary Public

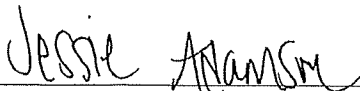


My Commission Expires: 03-30-2027

AFFIDAVIT OF EXAMINER

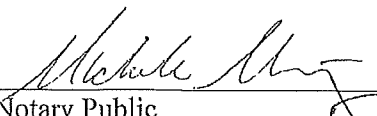
Idaho
Ada

Jessie L. Adamson, being duly sworn, deposes and says that they are a duly appointed Examiner for the Department of Insurance of the State of Idaho, that they have made an examination of the affairs and financial condition of Surplus Line Association of Idaho for the period January 1, 2016 through December 31, 2020, that the information contained in the report consisting of the foregoing pages is true and correct to the best of their knowledge and belief; and that any conclusions and recommendations contained in this report are based on the facts disclosed in the information.

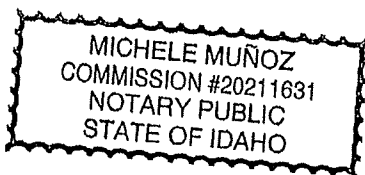


Jessie L. Adamson, CFE
Deputy Chief Examiner
Idaho Department of Insurance

Subscribe and sworn to before me the 1st day of April, 2022, at Boise (City),
ID (State).



Notary Public



My Commission Expires: 03-30-2027

BRAD LITTLE
Governor

State of Idaho
DEPARTMENT OF INSURANCE

700 West State Street, 3rd Floor
P.O. Box 83720
Boise, Idaho 83720-0043
Phone (208)334-4250
FAX # (208)334-4398

DEAN L. CAMERON
Director

WAIVER

In the matter of the Report of Examination as of December 31, 2020 of the:

Surplus Line Association of Idaho Inc.

By executing this Waiver, the Company hereby acknowledges receipt of the above-described examination report, verified as of the March 28, 2022, and by this Waiver hereby consents to the immediate entry of a final order by the Director of the Department of Insurance adopting said report without any modifications.

By executing this Waiver, the Company also hereby waives:

1. its right to examine the report for not more than thirty (30) days as provided in Idaho Codesection 41-227(4),
2. its right, after the date of this waiver, to make a written submission or rebuttal to the report prior to entry of a final order as provided in Idaho Code section 41-227(4) and (5),
3. any right to request a hearing under Idaho Code sections 41-227(5) and (6), 41-232(2)(b), or elsewhere in the Idaho Code, and
4. any right to seek reconsideration and appeal from the Director's order adopting the report as provided by section 41-227(6), Idaho Code, or elsewhere in the Idaho Code.

Dated this 14 day of April, 2022

Surplus Line Association of Idaho Inc.

Wendy Tippetts

Name (print)
Wendy Tippetts
Digitally signed by Wendy Tippetts
DN: cn=Wendy Tippetts, o=ASG, ou,
email=wendy@idahosurplusline.org, c=US
Date: 2022.04.14 18:36:02 -06'00'

Name (signature)

Manager

Title

EXHIBIT

B

exhibitster.com