

LAWRENCE G. WASDEN
Attorney General

JUDY L. GEIER – ISB No. 6559
Deputy Attorney General
Idaho Department of Insurance
700 W. State Street, 3rd Floor
P.O. Box 83720
Boise, Idaho 83720-0043
Telephone: (208) 334-4204
Facsimile: (208) 334-4298
judy.geier@doi.idaho.gov

FILED
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Department of Insurance
State of Idaho

Attorneys for the Department of Insurance

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

In the Matter of:

IDAHO PETROLEUM CLEAN WATER
TRUST FUND

Registration No. 2436
NAIC No. 14430

Docket No. 18-3534-18

**ORDER ADOPTING REPORT
OF EXAMINATION AS OF
DECEMBER 31, 2016**

The Idaho Department of Insurance (“Department”), having conducted an examination of the affairs, transactions, accounts, records, and assets of the Idaho Petroleum Clean Water Trust Fund (the “Tank Fund”), pursuant to Idaho Code §§ 41-4932 and 41-219(1), hereby alleges the following facts that constitute a basis for issuance of an order, pursuant to Idaho Code §§ 41-4932(3) and 41-227(5)(a), adopting the Report of Examination of Idaho Petroleum Clean Water Trust Fund as of December 31, 2016 (“Report”), as filed.

FINDINGS OF FACT

1. The Tank Fund is a liability insurance trust fund, created pursuant to the

Petroleum Clean Water Trust Fund Act, Idaho Code § 41-4901 *et seq.*, formed and authorized to operate in Idaho as a non-profit special purpose vehicle that issues contracts of liability insurance to governmental and private owners and operators of petroleum storage tanks. The Tank Fund operates under Registration No. 2436 issued by the Department Director (Director). Pursuant to Idaho Code § 41-4904(2), the administrator of the Tank Fund is the Idaho State Insurance Fund (“ISIF”).

2. The Department completed an examination of the Tank Fund pursuant to Idaho Code §§ 41-4932 and 41-219(1) on or about July 5, 2018. The Department’s findings are set forth in the Report.

3. Pursuant to Idaho Code § 41-4932(3), a copy of the Report, verified under oath by the Department’s examiner-in-charge, was filed with the Department on or about July 5, 2018, and a copy of such verified Report was transmitted to ISIF, as administrator of the Tank Fund, on July 11, 2018. A copy of the Report is attached hereto as Exhibit A.

4. On or about July 30, 2018, the Department received a Waiver executed by ISIF’s Manager and CEO, as administrator of the Tank Fund. A copy of such Waiver is attached hereto as Exhibit B. By execution of such Waiver, the Tank Fund acknowledged receipt of the Report and consented to the immediate entry of a final order by the Director adopting the Report without any modifications. Further, such Waiver included the waiver of the Tank Fund’s rights to examine the Report for a period of time as allowed by statute; to provide a written submission regarding corrections or changes prior to the entry of a final order; to request a hearing concerning the Report; and to seek reconsideration and appeal from the Director’s order adopting the report.

CONCLUSIONS OF LAW

5. Idaho Code § 41-4932(3) provides that, after the examination report contemplated by that section has been completed and properly delivered, and the examinee has had the opportunity to exercise the rights set forth in that section, or waive such rights, as in the instant case, the Director shall file the report with the Department as a document open to public inspection, and shall deliver a copy of the report to the administrator of the Tank Fund.

6. Having fully considered the Report, and the administrator of the Tank Fund having executed the waiver described in paragraph 4 above, the Director concludes that the Tank Fund is in compliance with the applicable provisions of title 41, Idaho Code, as required by Idaho Code § 41-4930.

ORDER

NOW, THEREFORE, based on the foregoing, IT IS HEREBY ORDERED that the Report of Examination of Idaho Petroleum Clean Water Trust Fund as of December 31, 2016, is hereby ADOPTED as filed, pursuant to Idaho Code § 41-4932(3).

IT IS FURTHER ORDERED, pursuant to Idaho Code § 41-4932(3), that the adopted Report is a public record on file with the Department.

IT IS SO ORDERED.

DATED this 20 day of August, 2018.

STATE OF IDAHO
DEPARTMENT OF INSURANCE



DEAN L. CAMERON
Director

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that, on this 22nd day of August, 2018, I caused a true and correct copy of the foregoing ORDER ADOPTING REPORT OF EXAMINATION AS OF DECEMBER 31, 2016 to be served upon the following by the designated means:

Idaho Petroleum Clean Water Trust Fund
c/o Idaho State Insurance Fund, Administrator
Attn: Rick Ferguson
1215 West State Street
Boise, ID 83720-0044
Rick.Ferguson@idahosif.org

☐ first class mail
☒ certified mail
☐ hand delivery
☒ email

Nathan Faragher
Chief Examiner, Company Activities Bureau Chief
Idaho Department of Insurance
700 W. State Street, 3rd Floor
P.O. Box 83720
Boise, ID 83720-0043
nathan.faragher@doi.idaho.gov

☐ first class mail
☐ certified mail
☐ hand delivery
☒ email



DEPARTMENT OF INSURANCE

STATE OF IDAHO



REPORT OF EXAMINATION

Of

IDAHO PETROLEUM CLEAN WATER TRUST FUND
(a Property & Casualty entity)

(NAIC Company Code: 14430)

As of

December 31, 2016



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Boise, Idaho
July 5, 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 § 41-4932, 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, 2016, of the financial condition and corporate affairs of:

Idaho Petroleum Clean Water Trust Fund
1215 West State Street
Boise, Idaho 83702

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

SCOPE OF EXAMINATION

Period Covered

We have performed our full scope financial examination of the Fund using a risk-focused approach. The exam was completed as of December 31, 2016. This examination covers the period of January 1, 2012 through December 31, 2016, and subsequent.

Examination Procedures Employed

The examination was conducted in accordance with the 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 Fund, including management and governance, identifying and assessing inherent risks within the Fund, 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 Fund retained the services of the certified public accounting firm, Deloitte & Touche LLP, Boise, Idaho, 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 Fund were considered during the examination process in accordance with the risk-focused examination process. This included assessing significant estimates made by management and evaluating management's compliance with Statutory 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 Fund's financial statements.

The examination determined the risks associated with identified key functional activities of the Fund's operations and considered mitigating factors. Interviews were held with the senior management of the Fund 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 Fund 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 Fund.

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 exception conditions noted in the Management Letter issued along with the Report of Examination, dated December 31, 2011, which covered the period from January 1, 2007 to December 31, 2011. The Fund had satisfactorily addressed the findings, except as noted in the current Management Letter.

SUMMARY OF SIGNIFICANT FINDINGS

Our examination did not disclose any material adverse findings or any adjustments that impacted the Fund's reported surplus as regards policyholders.

SUBSEQUENT EVENTS

Subsequent to the examination date, Representative Megan Blanksma was appointed to the Board of Trustees to serve as the member from the State House of Representatives. She later resigned; Representative Randy Armstrong was appointed effective September 7, 2017 to that position. Mark Grannis, the Representative of wholesale distributors of petroleum products of \$5 million to \$10 million in annual sales resigned from the Board of Trustees effective July 25, 2017. Mr. Grannis will continue to serve on the Board until his replacement has been appointed. We noted no other significant subsequent events as of the date of this Report of Examination.

FUND HISTORY

General

The Fund was established by an act of the Idaho Legislature with the passage of the *Idaho Petroleum Clean Water Trust Fund Act*, pursuant to the provisions of Idaho Code, Title 41, Chapter 49, which was approved on March 23, 1990. The Fund received a certificate of registration to do business in Idaho on April 24, 1991.

The Fund is a non-profit specialty insurance organization, which was founded for the purpose of providing affordable petroleum liability insurance coverage to pay for corrective and cleanup measures, and third-party property damage and bodily injury related to the storage of petroleum products in aboveground and belowground tank containers. Owners or operators of farm tanks or residential tanks and heating tanks may also seek insurance from the Fund.

The major funding of the Fund is provided by the collection of a "transfer fee" of one cent per gallon on all petroleum products delivered or stored within the State of Idaho after April 1, 1990. The transfer fee is a charge that is assessed against the licensed distributors or suppliers based upon the number of gallons of petroleum that are initially delivered into the State of Idaho.

Idaho Code § 41-4910(5) provided for the transfer fees to be distributed as follows: 77 percent to the highway distribution accounts, 3 percent to the Idaho department of parks and recreation, and the remaining 20 percent to the Fund. This distribution is after allowing for the actual cost of collecting, administering, and enforcing the transfer fee by the Commission and after establishing a refund account.

Transfer fee payments must be remitted to the Idaho Tax Commission with the distributor's monthly report. The Idaho State Tax Commission collects the transfer fees pursuant to Idaho Code § 41-4909(8). The Commission shall then promptly submit these fees to the Idaho State Treasurer for deposit to the Fund's account.

Subsequent to December 31, 2006 and effective July 1, 2007, Idaho Code § 41-4909(10), was amended to reflect that the transfer fees are to be suspended when the Fund's unencumbered surplus equals \$35,000,000 and will be reactivated when the surplus balance equals \$25,000,000. On July 26, 2007, the Director of the Department sent a certification to the Idaho State Tax Commission indicating that the unencumbered surplus as of June 30, 2007 was \$21,265,492. This reinstated the transfer fees beginning with the first day of the second month following the certification.

The Fund also collected application fees of \$5 or \$25 for each tank for which an application for coverage was made and annually thereafter as long as the tanks continue to meet the eligibility provisions of Idaho Code § 41-4911A. The amount of the application fee is determined by the type of tank insured. Application fees collected are remitted to the State Treasurer for deposit into the Fund's account.

Under Idaho Code § 41-3603(9), the Fund is exempt from the Idaho Insurance Guaranty Association.

CORPORATE RECORDS

The meetings of the Board of Trustees were conducted on at least a quarterly basis for all the years under examination. The Board of Trustees' meeting minutes for all years under examination and subsequent thereto were reviewed by the examination.

MANAGEMENT AND CORPORATE GOVERNANCE

In 2003, the Fund became subject to the direction and supervision of a Board of Trustees established under Idaho Code § 41-4904. Also starting in 2003, the Idaho State Insurance Fund (ISIF) was designated as the Administrator of the Fund pursuant to Idaho Code § 41-4904(2).

The Trustees and the Chairman of the Board are appointed by the Governor pursuant to Idaho Code § 41-4904 and Section 3.1 of the Fund's By-laws. According to Idaho Code § 41-4904, one member of the Board shall be a member of the state senate, one member shall be a member of the state house of representatives, one member shall be a representative of the financial community with expertise in insurance, accounting or finance, one member shall be an engineer, geologist or similarly trained scientist with experience in environmental remediation, one member shall be a wholesale distributor of petroleum products who participates in the Trust Fund and has less than five million gallons in annual sales, one member shall be a wholesale distributor of petroleum products who participates in the Trust Fund and has from five million to ten million gallons in annual sales, and one member shall be a wholesale distributor of petroleum

products who participates in the Trust Fund and has greater than ten million gallons in annual sales. The Trustees serve four-year terms.

The Trustees serving as of December 31, 2016, are shown below:

<u>Name</u>	<u>Position</u>
Forde L. Johnson	Chairman of the Board & Financial/Insurance Representative
Kirk W. Clarich	Environmental Representative
Robert P. Nonini	Member of the State Senate
Dennis DeRoche	Representative of Marketers < 5 Million Gallons
Mark Grannis	Representative of Marketers 5-10 Million Gallons
John D. Jackson	Representative of Marketers > 10 Million Gallons

Representative Gayle L. Batt served as the member of the State House of Representatives during the examination period. However, her term expired on December 1, 2016. Subsequent to the examination date, Representative Megan Blanksma was appointed as the member from the State House of Representatives. Randy Armstrong was appointed to replace Ms. Blanksma effective September 17, 2017. Mark Grannis resigned from the Board of Trustees effective July 25, 2017, but will continue to serve on the Board until his replacement has been appointed.

The full Board of Trustees also serves as the Fund's Audit Committee. The Fund does not have any other committees.

The Fund has a conflict of interest procedure in place for the Board of Trustees and key employees. The executed conflict of interest statements indicated there were no conflicts.

Contracts

As previously reported, ISIF was designated as the Administrator of the Fund in 2003 pursuant to Idaho Code § 41-4904(2). The Fund shall be administered without liability on the part of ISIF or the State of Idaho beyond the amount of said trust fund pursuant to Idaho Code § 41-4905(6). The Fund operates through the Petroleum Storage Tank Fund, a separate division/department within ISIF and is managed pursuant to a management and administrative contract.

The exclusive management and administrative agreement was entered into between the Fund and ISIF in accordance with Idaho Code § 41-4905(5). The original contract was executed and approved by the Department on September 17, 1990 in accordance with Idaho Code § 41-4929(1). A modified version of the agreement was submitted to the Department on August 23, 2004. The Department approved this agreement on August 25, 2004.

Under the agreement, ISIF provides qualified personnel; accounting and record keeping; underwriting, actuarial, and legal services; claims handling; auditing and reporting; computer and data processing; computer programming, and all other managerial and administrative functions to the Fund.

The agreement also provides a cost allocation/reimbursement that applies to various items which are shared by the Fund and ISIF in their working arrangement such as equipment, office space, parking space, general office expenses, supplies, electronic data processing equipment and software.

Expenses paid to ISIF for management services provided to the Fund during the examination period are as follows.

<u>Year</u>	<u>Expenses for Management Services</u>	<u>Expenses for Rent and Parking</u>
2016	\$272,970	\$30,620
2015	272,600	30,920
2014	256,772	30,920
2013	234,875	30,920
2012	291,278	30,920

The agreement may not be amended by either party without written consent of the Director of the Department, except as may be required by duly enacted amendments to Idaho Code, Title 41, and Chapter 49.

FIDELITY BONDS AND OTHER INSURANCE

The Idaho State Office of Insurance Management of the Department of Administration arranges for comprehensive blanket coverages for all agencies of the State of Idaho, including the Fund. Insurance coverages in effect as of December 31, 2016, included employee bond and crime; property; comprehensive liability; auto physical damage; excess earthquake; boiler; inland marine, and cyber liability.

The minimum fidelity coverage suggested by the NAIC for an insurer of the Fund's size and revenue volume is not less than \$200,001. As of December 31, 2016, the Fund had sufficient employee bond and crime coverage, subject to a loss limit of \$10,000,000.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

As previously reported, ISIF provides qualified personnel, management, and administrative functions to the Fund. The persons performing these functions are employees of ISIF, as provided by Idaho Code § 41-4904 and § 41-4929. Consequently, the Fund does not have employees or provide employee benefits.

TERRITORY AND PLAN OF OPERATION

The basic purpose of the Fund is to provide affordable liability and cleanup insurance to qualified petroleum storage tank owners/operators in the State of Idaho in order for them to meet the financial responsibility requirements of the Environmental Protection Agency (EPA). In this connection, Certificate of Registration No. 2436 was issued to the Fund to transact such business only in the State of Idaho.

The Fund operates through the Petroleum Storage Tank Fund, a separate division/department within ISIF. ISIF operates from its main administrative office located in Boise, Idaho, and has field offices located in Coeur d'Alene, Idaho Falls, and Twin Falls.

GROWTH OF THE FUND

The following represents the Fund's Application and Transfer Fee Activity and its relationship to surplus over the period of our examination:

	2016	2015	2014	2013	2012
Application Fees	\$ 101,685	106,035	102,420	100,296	99,599
Transfer Fees	\$ 2,360,199	2,312,240	2,160,191	2,145,534	2,119,422
Policyholder Surplus	\$31,787,710	31,577,283	31,261,172	30,276,354	29,068,598
Application and Transfer Fees to Policyholder Surplus Ratio	7%	8%	7%	7%	8%

Application Fees, Transfer Fees, and surplus were relatively stable throughout the examination period.

LOSS EXPERIENCE

The following represents the Fund's loss experience and its relationship to application and transfer fee income over the period of our examination:

	2016	2015	2014	2013	2012
Application Fees	\$ 101,685	106,035	102,420	100,296	99,599
Transfer Fees	\$2,360,199	2,312,240	2,160,191	2,145,534	2,119,422
Claims Incurred	\$1,452,614	1,195,188	753,357	366,548	672,107

Claims Adjustment Expenses Incurred (AEI)	\$114,205	278,869	75,525	142,539	298,174
Total Claims and Claims AEI	\$1,566,819	1,474,057	828,882	509,087	970,281
Total Claims and Claims AEI to Fee Income Ratio (Loss Ratio)	64%	61%	37%	23%	44%
Total Other Underwriting Expenses	\$1,039,112	1,058,808	986,267	985,456	915,048
Total Claims, Claims AEI & Expenses	\$2,605,931	2,532,865	1,815,149	1,494,543	1,885,329
Total Claims, Claims AEI, and Expenses to Fee Income Ratio (Combined Ratio)	106%	105%	80%	67%	85%

REINSURANCE

The Fund is authorized to reinsure any risk, or any part thereof, pursuant to Idaho Code § 41-4919. However, the Fund did not have any reinsurance agreements in force as of December 31, 2016, and therefore, did not assume or cede any business.

ACCOUNTS AND RECORDS

As previously reported, ISIF provides accounting, record keeping, computer and data processing functions to the Fund. In this connection, ISIF uses the EAS Financial System for its enterprise accounting system for general ledger, budgeting, and financial reporting, among other things. Other major systems utilized by ISIF include iWorks for investment tracking; Aestiva for purchasing and expense tracking, and Cognos BI as its data warehouse. The Fund utilizes the POSI system for its policy administration and claims.

It was also previously reported that the Fund retained the services of the certified public accounting firm, Deloitte & Touche LLP, Boise, Idaho, to audit its financial records for the years under examination. Their audit reports covering all years of examination were made available for the examination. Deloitte & Touche LLP also provided the examiners access to requested work papers prepared in connection with the 2016 statutory audit. The external audit work was relied upon where deemed appropriate.

ISIF and the Fund maintain home office records in accordance with Idaho Code § 41-2839. Document and information requests for the examination were generally made in writing via

memoranda or e-mails. The Fund produced the accounts and records requested in a timely manner and in a form satisfactory to the examination.

STATUTORY DEPOSITS

As of December 31, 2016, the examination confirmed with the Idaho Department of Insurance that the Fund had made provision for the following deposit to be held in trust for the protection of all policyholders and/or creditors through said office of the Director of Insurance, State of Idaho, in compliance with Idaho Code § 41-316A, § 41-803, § 41-804, and § 41-4930.

<u>Description</u>	<u>Par Value</u>	<u>Market Value</u>	<u>Statement Value</u>
US Bank Certificate of Deposit, .75%, due 5/19/2017 CUSIP Number 0492251482	<u>\$1,000,000</u>	<u>\$1,000,000</u>	<u>\$1,000,000</u>
Total	<u>\$1,000,000</u>	<u>\$1,000,000</u>	<u>\$1,000,000</u>

FINANCIAL STATEMENTS

Balance Sheet as of December 31, 2016

Statement of Income, for the Year Ending December 31, 2016

Reconciliation of Surplus, December 31, 2011, through December 31, 2016

Analysis of Changes in Financial Statements Resulting From Examination

Balance Sheet
As of December 31, 2016

ASSETS

Bonds	\$33,109,190
Cash (\$2,182,098) and short-term investments (\$272,437)	<u>2,454,532</u>
Total Invested Assets	\$35,563,722

Investment income due and accrued	\$ 157,559
*Aggregate write-ins for other-than-invested assets	<u>394,227</u>
Total Assets	<u>\$36,115,508</u>

*Transfer Fees Receivable: \$394,227.

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses (Note 1)	\$ 3,021,581
Loss adjustment expenses (Note 1)	1,227,928
Other expenses	<u>78,289</u>
Total Liabilities	<u>\$ 4,327,798</u>

**Aggregate write-ins for other-than-special surplus funds (Note 2)	\$ 1,397,321
Unassigned funds (surplus)	<u>30,390,389</u>
Surplus as regards policyholders	<u>\$31,787,710</u>
Total Liabilities and Surplus	<u>\$36,115,508</u>

**EBNI Level II Site Assessments: \$393,334; EBNI Losses & LAE: \$216,540, and Anticipated Losses-Not Yet Incurred on Insured Tanks: \$787,447.

Statement of Income
As of December 31, 2016

Premiums earned		\$ 0
Total premium income		\$ 0
Losses incurred	\$1,452,614	
Loss adjustment expenses incurred	114,205	
Other underwriting expenses incurred	<u>1,039,112</u>	
Total underwriting deductions		<u>2,605,931</u>
Net underwriting gain (loss)		\$(2,605,931)
Net investment income earned	\$ 433,846	
Net realized capital gains	(79,372)	
Net investment gains (losses)	\$ 354,474	
***Aggregate write-ins for miscellaneous income		<u>\$ 2,461,884</u>
Net income (loss) after capital gains tax and before all other federal income taxes		<u>\$ 210,427</u>
Net Income (Loss)		<u><u>\$ 210,427</u></u>

***Application Fees: \$101,685; Transfer Fees: \$2,360,199.

Reconciliation of Surplus

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Surplus prior reporting year	\$31,577,283	\$31,261,172	\$30,276,354	\$29,068,598	\$27,995,225
Net income or (loss)	210,427	316,112	984,818	1,207,756	1,073,373
****Aggregate write-ins	0	(1)	0	0	0
Net change in surplus	<u>\$ 210,427</u>	<u>\$ 316,111</u>	<u>\$ 984,818</u>	<u>\$ 1,207,756</u>	<u>\$ 1,073,373</u>
Surplus end of reporting period	<u><u>\$31,787,710</u></u>	<u><u>\$31,577,283</u></u>	<u><u>\$31,261,172</u></u>	<u><u>\$30,276,354</u></u>	<u><u>\$29,068,598</u></u>

****Rounding: \$(1).

Analysis of Changes in Financial Statements Resulting From Examination

There were no adjustments made to surplus in the Report of Examination.

NOTES TO FINANCIAL STATEMENTS

Note (1)	Losses	\$3,021,581
	Loss adjustment expenses	1,227,928

Lewis & Ellis, Inc., was retained by the Department to perform the actuarial review. This included a review of the Fund's actuarial report supporting the 2016 Statement of Actuarial Opinion. Based on its review, Lewis & Ellis concluded that the loss reserves and loss adjustment expenses reserve computations were performed correctly and the selected estimates were reasonable. Lewis & Ellis also reviewed the assumptions and methodology used by Milliman, Inc., the Fund's Appointed Actuary, and found them to be appropriate.

Note (2)	Aggregate write-ins for other-than-special surplus funds	\$1,397,321
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Aggregate write-ins for other-than-special surplus funds are comprised of EBNI Level II Site Assessments of \$393,334; EBNI Losses and LAE of \$216,540, and Anticipated Losses-Not Yet Incurred on Insured Tanks of \$787,447. These special surplus fund reserves/provisions are established by the Fund's actuary, Milliman, Inc.

EBNI Level II Site Assessments represent a reserve or provision for site assessments to be made after December 31, 2016, to insure the new applications of currently eligible but not incurred (EBNI) petroleum storage tanks as estimated based on data from the Department of Environmental Quality. The projected site assessment costs are based upon a selected average charge per site, additional leak detection system inspection costs, extended underwriting investigation, and the total number of new sites possible for registered tanks not already insured or approved for insurance as of the examination date.

EBNI Losses and LAE represent a reserve or provision for future loss and loss adjustment expenses for petroleum storage tanks that existed as of December 31, 2016, and were eligible for insurance, but were not yet insured.

Anticipated Losses-Not Yet Incurred on Insured Tanks represents a reserve or provision for the Fund to provide for insurance of its existing insureds for the remainder of their unexpired policies. This provision is similar to the unearned premium reserve in the usual property and casualty insurance company. This provision allows the Fund to fulfill its obligations to its current policyholders for the remainder of the policy year.

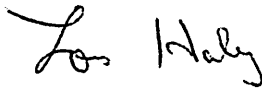
COMMENTS AND RECOMMENDATIONS

Our examination did not disclose any material adverse findings or any adjustments that impacted the Fund's reported surplus as regards policyholders.

ACKNOWLEDGEMENT

Glenn Tobleman, F.S.A, F.C.A.S., M.A.A.A. and Natalie Grinnell, of Lewis & Ellis, Inc., performed the actuarial review. Joanna Latham, AES, CISA, CPA, CFE, CRISC, of Jennan Enterprises, LLC, performed the IT review. 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 Fund.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Lois Haley". The signature is fluid and cursive, with the first name "Lois" and last name "Haley" clearly distinguishable.

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

AFFIDAVIT OF EXAMINER

State of Oregon
County of Tillamook

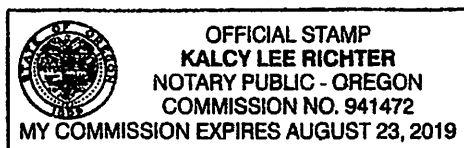
Lois Haley, being duly sworn, deposes and says that she is a duly appointed Examiner for the Department of Insurance of the State of Idaho, that she has made an examination of the affairs and financial condition of Idaho Petroleum Clean Water Trust Fund for the period from January 1, 2012 through December 31, 2016, 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 5 day of July 2018, at Tillamook, Oregon.

Kalcy Lee Richter
Notary Public



My Commission Expires: Aug. 23 2019

State of Idaho
DEPARTMENT OF INSURANCE

C.L. "BUTCH" OTTER
Governor

700 West State Street, 3rd Floor
P.O. Box 83720
Boise, Idaho 83720-0043
Phone (208)334-4250
Fax (208)334-4398
Website: <http://www.doi.idaho.gov>

DEAN L. CAMERON
Director

WAIVER

In the matter of the Report of Examination as of December 31, 2016, of the:

IDAHO PETROLEUM CLEAN WATER TRUST FUND
1215 W. State Street
Boise, ID 83702

By executing this Waiver, the Company hereby acknowledges receipt of the above-described examination report, verified as of the 5th day of July 2018, 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:

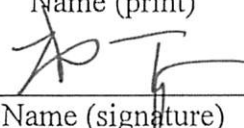
1. its right to examine the report for up to thirty (30) days as provided in Idaho Code section 41-227(4),
2. its right to make a written submission or rebuttal to the report prior to entry of a final order as provided in Idaho Code section 41-227(4) and (5),
3. any right to request a hearing under Idaho 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 26th day of July, 2018

IDAHO PETROLEUM CLEAN WATER TRUST FUND

Rick Ferguson

Name (print)



Name (signature)

Fund Manager / CEO

Title

