

IV. Funds and Program Management



Information Services Section

The Information Services Section provides new applications project management, architecture, design work and programming; network and database operations and security; maintenance support for all in-house computer applications and interfaces for all external applications; hardware and software testing and acquisitions; and help desk support for desktop and laptop PCs, printers, faxes, scanners and copiers. The section is also responsible for the agency's project management program and staff education and development. The section strives for 99.9% uptime of the database and network. Agency telecommunications services are also provided or coordinated through this section.

Applications

On the applications side of the Information Services Section, the following work was accomplished in support of user business applications:

- Completed Phase 1 of the development of an Injured Patients and Families Compensation Fund business management application to replace the existing legacy system.
- Completed the development of the Internet Filing (Fillable Forms) project for Market Regulation to convert legacy Web forms to more user-friendly, interactive forms that save data to a centralized database.
- Completed work on the process of digitizing older rate and form documents that OCI maintains on microfilm to create a database to capture data identifying the documents to enable viewing them on-line. Began working on indexing the documents to filings.
- Completed work in automating the faxed responses to complaints from the insurance industry.
- Provided support for and maintenance of existing OCI systems:
 - ◆ OCI Enterprise - put out several new builds of the OCI Enterprise system to incorporate periodic improvements in applications, such as Complaints and Legal.
- Completed selection and analysis of a tool for a Web-based reporting system.
- Started converting OCI reports from ReportBuilder to JasperReports.
- Completed the redesign of OCI's Internet site.
- Started the planning work for the Premium Rate Review Grant project.

Technical

On the technical side of the Information Services Section, the following work was accomplished to improve business users' computing environment:

- Began work on the Server Rationalization project.
- Completed the server migration project.
- A virtual environment was set up for OCI's computer training room.
- Provided telecom systems administration, maintenance, and support for the agency.
- Provided IT infrastructure administration and support services for the agency.

Management

On the management side of the Information Services Section, the following work was accomplished to improve overall IT program management:

- Evaluated technologies used in IT and made recommendations for consolidating technologies and implementing process improvements.
- Continued work on the Continuous Improvement project to improve IT process for development and technical services.
 - ◆ Developed an issue tracking system.
 - ◆ Completed work on the Financial Bureau's business architecture mapping.
- Continued work to update the agency's disaster recovery plan.

Project Management

The Project Management Program has implemented procedures and standards that facilitate more rigorous project management, oversight, and communication with the goal of improving organizational efficiency and project performance. It is designed to ensure that business process and information technology projects undertaken are aligned with OCI's Strategic Business Plan, facilitate the Project Governance Board meetings, provide project status reports to the Project Governance Board, and ensure consistency between projects and project managers for performance metrics, documentation, and communication.

Project management activities in 2010 included:

- Continued improvements to the project management process.

- Closing of the following projects in 2010:
 - ◆ Injured Patients and Families Compensation Fund – Phase 1
 - ◆ Market Regulation Fillable Forms
 - ◆ Microfilm Imaging – Phase 2
 - ◆ Server Consolidation
 - ◆ Web Report Module
 - ◆ OCI's Web Site Redesign

Management Analysis and Planning

The Management Analysis and Planning Section (MAPS) supports the mission of the Office of the Commissioner of Insurance (OCI) through oversight of the agency's business planning processes in the areas of financial management and office management. This section is responsible for the agency's budget, accounting, and fiscal responsibilities and administers office management services, including risk management, health and safety, building maintenance, and parking coordination. MAPS staff also serves as liaison between the agency and the Department of Administration for human resources and procurement services.

Financial Management

This area provides accounting, budgeting, contract management, internal control, procurement, risk management, and vendor payment services for OCI. The section produces the annual operating budgets for all units of the agency, external financial reports at the fund and agency level, GAAP reports, and required statutory reports, e.g., the minority contracting reports, as well as annual contract justification for continued contract renewals.

The staff is responsible for providing technical budget assistance and guidance to OCI managers and staff, tracking expenditures and revenues, collecting accounts receivables, calculating and billing the annual examination assessment, calculating and billing the annual care management organization examination charges, administering the state purchasing card program, cashing and serving as liaison with the Department of Administration-Procurement.

Some of the accomplishments in this area during the past year include:

- Chaired the State Agency Purchasing Council.
- Continued meeting requirements for obtaining IT contract services through the vendor managed IT services contract.

- Developed the agency's 2011-2013 Biennial Budget Request.
- Assisted in the development of OCI's Business Architecture document.
- Employee Assistance Program (EAP) involvement including quarterly meetings, worked on Health Fair and gave updated EAP information to agency.

Office Management

The Office Management area provides essential office leadership and services in an effort to achieve a quality workforce and environment in support of the mission of the agency. This area is responsible for monitoring and maintaining agency policies and procedures, managing administrative matters affecting the business operation of the agency, and serving as liaison with the Department of Administration-Human Resources as well as staff development. In an effort to strive to achieve physical accommodations for maximum comfort, security, and safety for staff and visitors alike, this area is responsible for the management of building maintenance and security, along with provision of health and safety oversight.

Some of this area's major accomplishments for 2010 were:

- Continued the agency's ongoing supported work efforts by renewing the employment of disabled individuals through Community Work Services, Inc.
- Responded to employees' ergonomic needs.
- Implemented contractor confidentiality agreements.
- Reviewed and updated the agency's Health and Safety Action Plan.
- Reconfigured office space to accommodate organizational changes.
- Utilized all available National Association of Insurance Commissioners' (NAIC) grant/zone funds to support our regulatory training needs.
- Specialized industry training in-house, including NAIC ACL training.

Alternative Work Patterns

OCI is cognizant of the need to offer a flexible work environment in order to maximize the employment options available to existing and potential state employees and to meet the needs of our constituents. OCI encourages the utilization of alternative work patterns such as flex time, part-time, and shared-time schedules to increase productivity, extend services, reduce absenteeism, improve employee morale, allow for employee development, and maximize energy conservation through ridesharing and use of mass transit systems. Approximately 90% of the

agency's staff has some form of nonstandard work schedule. The agency also reviews requests, on a case-by-case basis, from staff who wish to temporarily work from their home. The agency recognizes that alternative work pattern schedules may provide opportunities for individuals to productively utilize their skills, talents, and abilities. It recognizes that a traditional full-time work schedule may not meet the needs of individuals who, due to age, health, or family circumstances, find such a schedule in conflict with responsibilities outside of work.

Local Government Property Insurance Fund (Fund)

The purpose of the Fund is to make reasonably priced property insurance available for tax-supported local government property, such as government buildings, schools, libraries, and motor vehicles. The Commissioner of Insurance by law is designated as the Fund's manager. The Fund has one state employee who supervises day-to-day operations of the Fund by contracting for specialized services, such as claims and policy administration. As of April 1, 2010, the policy administration is contracted to The ASU Group and the claims administration is handled by Crawford and Company.

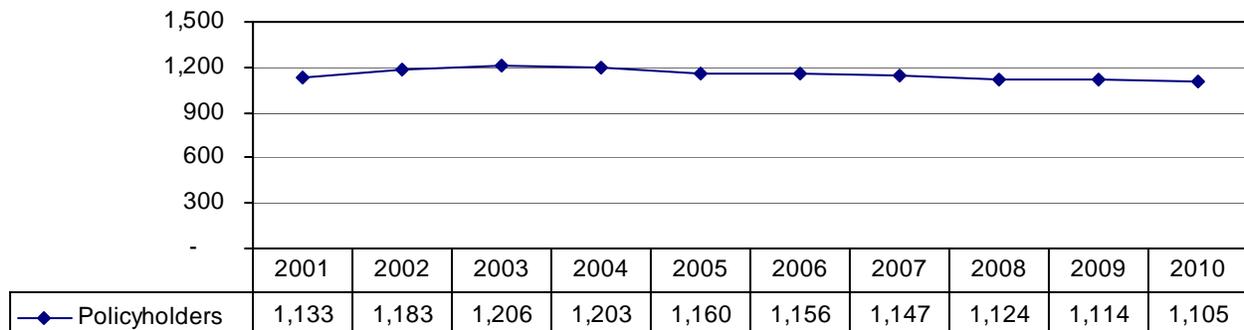
During fiscal year 2010 the Fund continued to enhance program and administrative operations. This includes the Fund's Electronic Statement of Values (ESOV) project, which is a Web-based software program that allows policyholders to make all of their policy change requests on line. The final phase of this project was completed in January 2010 involving the historical data collection process that allowed insureds to enter the data online rather than submitting forms to the policy administrator. The Fund also introduced the new Builder's Risk policy that replaced the endorsement that was previously

available—three insureds had this policy as of June 30, 2010. The Fund's fine arts coverage was evaluated during the year and it was determined that \$160 million of fine arts values should be carved out of the Excess of Loss rating basis and insured in a stand-alone fine arts program.

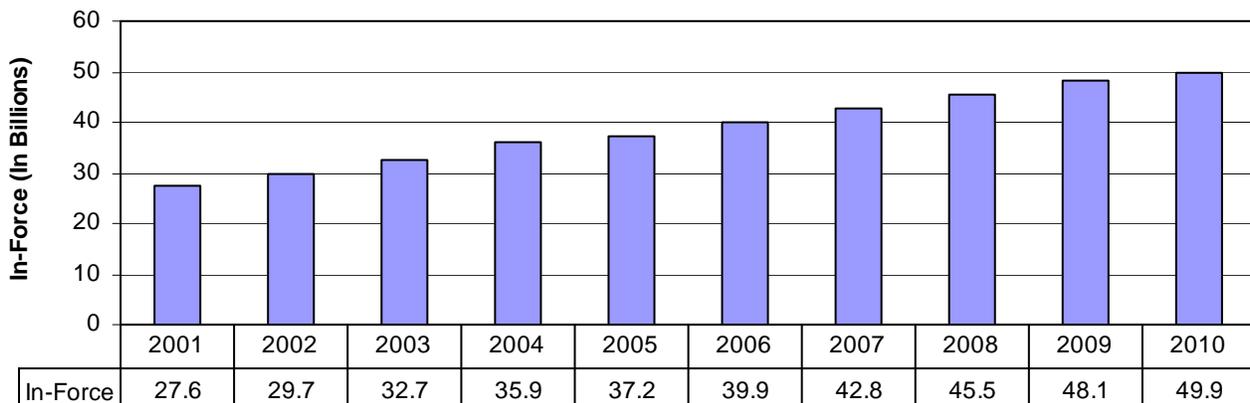
As of June 30, 2010, the Fund insured 1,105 policyholders: 71 counties, 312 schools, 155 cities, 184 towns, 260 villages and 123 miscellaneous (libraries, etc.) jurisdictions. Combining new business and terminations, the overall number of policyholders decreased by 9 since the previous fiscal year-end. Two graphs are included that reflect changes in the Fund's policyholder base and growth in its insurance coverage in force.

The Fund's insurance coverage in force represents property that is insured against loss. The more property insured, the greater the potential for a loss. The total amount of insurance coverage in force as of June 30, 2010, was \$49.9 billion, up from \$48.1 billion as of the previous fiscal year-end.

**Number of Policyholders
Fiscal Years 2001- 2010**



**Local Government Property Insurance Fund
Growth of Coverage In-Force**



Three pie charts are included in this report reflecting the premium earned, the percent of policies by type of policyholder entity and a breakdown of the type of policy purchased. The majority of the Fund's insureds are using the valuation project service that began in 1988. This method of valuing buildings, contents, property in the open and contractor's equipment was developed to promote equity in premiums and the proper reporting of values. Valuation participants not only have broader coverage than those insureds that purchase a coinsurance policy but also enjoy the benefits of automatic computer-generated statements of value. The coinsurance policy requires the insured to establish the insurance value for the property which caps the maximum recovery in the event of a total loss and can also impose limitations when paying partial losses if the property is not insured to full value.

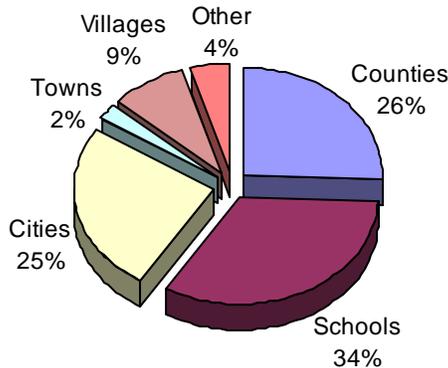
The Fund's balance sheet and income statement for the fiscal year ending June 30, 2010, are included with this report. The Fund experienced an underwriting gain

of approximately \$2.4 million following an underwriting gain of \$3.8 million the previous year. However, after accounting for investment income and the dividend issued in calendar year 2010, the Fund reported a net loss of \$9.2 million, putting surplus at \$32 million—a 25% decrease from prior year.

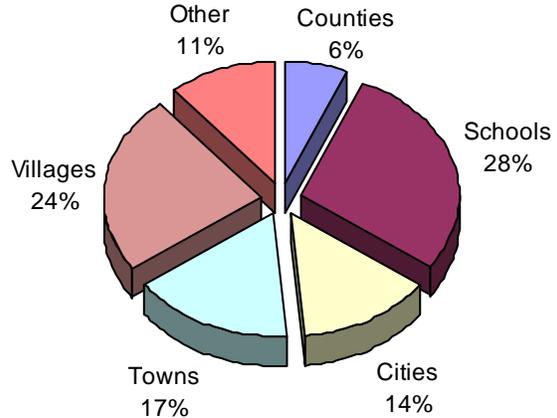
The Fund declared the dividend of approximately \$12 million to be applied to premium credits against policyholder's 2010 renewal premiums. The dividend was calculated based on each insured's previous five years earned premium through June 30, 2009. This calculated out to be approximately 10.88% of each insured's total five-year premium earned, or approximately 57% of the insured's 2010 expected renewal premium.

Fund management will continue to monitor insurance in force, claims trends and Fund surplus when evaluating the Fund's rating structure. Claims costs coupled with higher self-insured Fund reinsurance retention levels and reinsurance premium will continue to be factors considered in the rate-setting analysis.

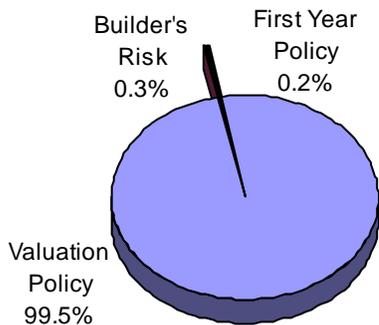
**Direct Premium Earned by Entity Type
Fiscal Year Ending June 30, 2010**



**Percent of Policies by Entity Type
Fiscal Year Ending June 30, 2010**



**Percent of Policies by Policy Type
Fiscal Year Ending June 30, 2010**



Wisconsin Insurance Report Business of 2010
Funds and Program Management, Local Government Property Insurance Fund

Following are financial statements—balance sheet and income statements—for the Fund for the fiscal year ending June 30, 2010.

Local Government Property Insurance Fund Balance Sheet—Statutory Basis June 30, 2010	
Assets	
Bonds	\$20,697,729
Investment Fund	26,305,000
Cash at Treasury	88
Premiums Receivable	419,473
Reinsurance Recoverable	1,096,655
Interest Receivable	<u>135,054</u>
Total Assets	<u><u>\$48,653,999</u></u>
Liabilities and Surplus	
Liabilities	
Net Loss Reserves	\$ 5,977,336
Loss Adjustment Expenses Payable	297,875
Net Unearned Premiums	4,020,871
Reinsurance Payable	407,889
Premium Received in Advance	592,671
Dividends Payable	4,908,164
Other Expenses Payable	<u>477,230</u>
Total Liabilities	\$16,682,036
Surplus	
Surplus - Beginning of Year	41,221,569
Net Income	<u>(9,249,606)</u>
Surplus - End of Year	<u>31,971,963</u>
Total Liabilities and Surplus	<u><u>\$48,653,999</u></u>

Local Government Property Insurance Fund Income Statement—Statutory Basis June 30, 2010	
Premiums Earned	
Direct Premium Earned	\$21,272,008
Reinsurance Ceded	<u>(5,207,422)</u>
Net Premium Earned	\$ 16,064,586
Losses Incurred	
Direct Losses Incurred	10,888,965
Reinsurance Loss Recoveries (Earned) Incurred	<u>505,294</u>
Net Losses Incurred	11,394,259
Loss Adjustment Expenses	723,162
Other Underwriting Expenses	<u>1,571,308</u>
Total Net Losses and Expenses	<u>13,688,729</u>
Underwriting Income	2,375,857
Investment & Other Income	
Investment Fund Earnings	<u>359,888</u>
Net Investment Income	<u>359,888</u>
Net Income before Dividends	2,735,745
Dividends to Policyholders	<u>(11,985,351)</u>
Net Income	<u><u>\$ (9,249,606)</u></u>

State Life Insurance Fund (Fund)

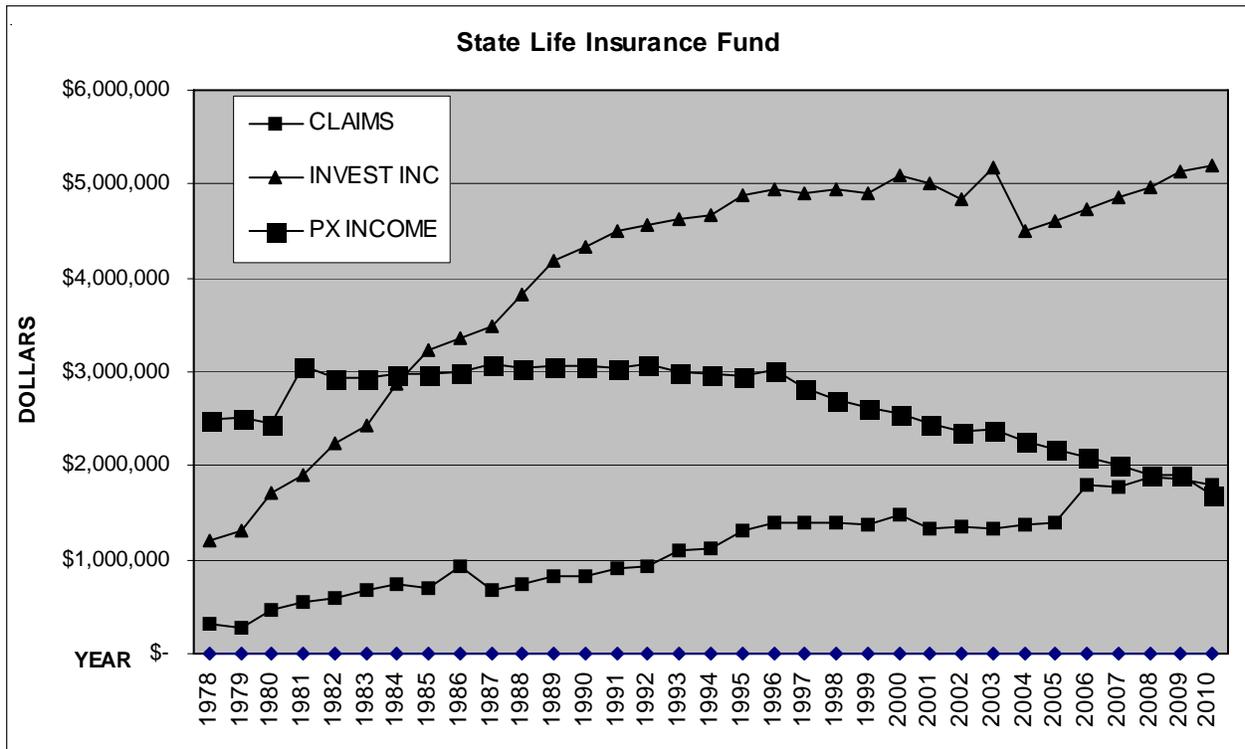
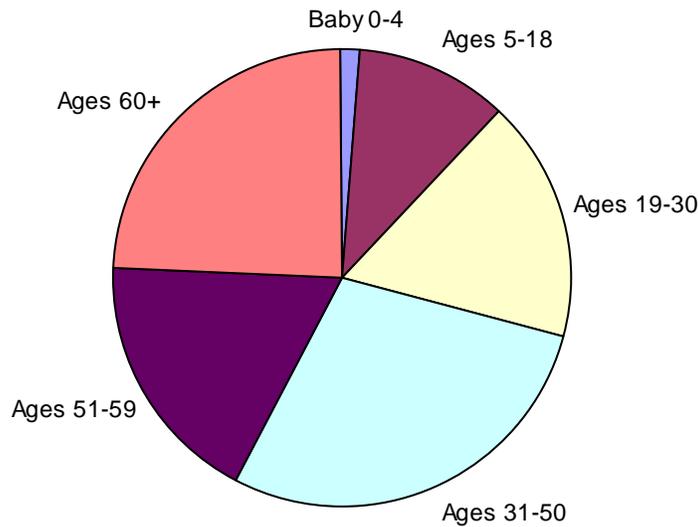
The Fund is a segregated fund located within OCI. The Fund offers a maximum of \$10,000 of life insurance to state residents. Operating as a mutual insurance company, the Fund has a manager and is supervised by the Commissioner.

Section 607.15, Wis. Stat., requires the Fund to distribute annually among the policyholders its net profits and to the extent practicably possible, maintain a ratio of

surplus to assets between 7% and 10%. In 2010, a distribution of \$2.1 million was paid to policyholders in the form of dividends.

Wisconsin is the only state in the nation that offers a life insurance program to residents. All policies issued are participating and there is no marketing of the Fund. The lapse rate on Fund policies is a low 1.0%. As of December 31, 2010, there were 27,421 policies in force.

Attained Age Breakdown of Policyholder Database



Wisconsin Insurance Report Business of 2010
Funds and Program Management, State Life Insurance Fund

Following are financial statements—balance sheet and income statements—for the Fund for the year ending December 31, 2010.

State Life Insurance Fund	
Balance Sheet	
December 31, 2010	
Assets	
Bonds	\$85,077,391
Policy Loans	3,856,227
Cash and Bank Deposits	1,512,916
Premiums Deferred & Uncollected	96,515
Investment Income Due & Accrued	1,517,253
Recoverable Reins.	<u>0</u>
Total Assets	<u>\$92,060,302</u>
Liabilities and Surplus	
Reserves for Life Policies & Contracts	\$62,653,524
Interest Maintenance Reserve	97,541
Policy Claims	196,455
Dividends Due and Unpaid (2010)	16,832
Dividends - Provision for 2011	2,117,658
Deposit Type Contracts	18,285,013
Unclaimed Property	46,849
Taxes, Licenses, Fees Accrued	311
Suspense and CANC Drafts	115,156
Expenses Due & Accrued	42,784
Back Up Withholding	654
Premiums Received in Advance	41,368
Asset Valuation Reserve	<u>109,647</u>
Total Liabilities	\$83,723,792
Surplus	<u>8,336,510</u>
Total Liabilities and Surplus	<u>\$92,060,302</u>

State Life Insurance Fund	
Income Statement	
December 31, 2010	
Income	
Premiums	\$1,688,902
Investment Income	5,195,865
Amortization of Interest Maintenance Reserve	85,769
Miscellaneous Income	<u>14,016</u>
Total Income	\$6,984,552
Expenses	
Death Benefits	1,090,665
Matured Endowments	150,500
Other Policy Benefits	1,117,544
Increase in Reserve	882,272
General Operating Expense	<u>576,187</u>
Expenses before Dividends	<u>3,817,168</u>
Net Gain before Dividends	<u>3,167,384</u>
Dividends to Policyholders	<u>2,087,833</u>
Net Gain (Loss) from Operations	<u>\$1,079,551</u>

