

IV. Funds and Program Management



Information Services Section

The Information Services (IS) 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 Lean Government and Business Intelligence (BI) initiatives as well as the project management program. 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 application development side of the Information Services Section, the following work was accomplished in support of user business applications:

- Completed development of the Legal System to replace the existing legacy system.
- Completed updates to the Rate Review Market Analysis System.
- Implemented common solutions for applications.

Business Intelligence (BI)

During 2013, the office began implementing a Business Intelligence program. The following work was accomplished:

- Partnered with the Department of Administration (DOA) to define and utilize the BI solution they purchased for use with the state's new Enterprise Resource Planning (ERP) system.
- Provided training for IS staff and business partners.
- Completed the BI pilot project for the Rate Review Program.
- Created initial framework for subsequent BI adoption.

Infrastructure

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

- Completed rollout of Windows 7 operating system to all staff.
- Completed the upgrade for TeamMate for the Division of Regulation and Enforcement.
- Completed implementation of AirWatch Mobile Device Management System.

- Provided telecom systems administration, maintenance, and support for the agency.
- Provided IT infrastructure administration and support services for the agency.

Lean Government

In accordance with the Governor's Executive Order #66, OCI implemented a Lean Government Initiative:

- Provided Yellow Belt training to three staff.
- Provided Green Belt training to four staff.
- Held an orientation to Lean Government for Senior Management.
- Provided orientation for all agency supervisors and managers.
- Established a Lean Board and scheduled monthly meetings.
- Developed an agency Intranet site for the Lean Government Initiative.
- Established an agency-wide process for submitting Lean proposals.
- Received and reviewed 28 proposals.
- Completed 4 proposals.

Management

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

- Reorganized the section to manage agency-wide responsibilities for the Lean Government and BI initiatives.
- Continued to evaluate technologies used in IT and made recommendations for consolidating technologies and implementing process improvements.
- Continued work to update the agency's disaster recovery plan.

Project Management Office and Quality Assurance

The Project Management Office (PMO) is responsible for all projects the agency undertakes. It provides training in project management and ensures that the projects meet business goals. The PMO reports project performance directly to the Project Governance Board on a quarterly basis.

Activities in 2013 included:

- Continued improvements to the project management process.

Management Analysis and Planning Section

The Management Analysis and Planning Section (MAPS) supports the mission of OCI through oversight of the agency's business planning processes in the area of financial management. This section 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, cashiering and serving as liaison with the Department of Administration (DOA) Procurement.

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

- Member of the State Agency Purchasing Council.
- Continued meeting requirements for obtaining IT contract services through the vendor-managed IT services contract.
- Implemented the agency's 2013-2015 Biennial Budget Request.
- Prepared GAAP information for general fund and the insurance liquidation account pursuant to DOA guidelines and requirements.
- Certified that the internal controls have been reviewed and no material weaknesses in the controls were reported.
- Developed and prepared the complex cost allocations of administering the insurance company examination program for annual assessment.
- Continued the agency's ongoing supported work efforts by renewing the employment of disabled individuals through Community Work Services, Inc.

Office Management and Records Section

The Office Management and Records Section 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. This section is responsible for the agency's records management and administers office management services, including risk management, health and safety, building maintenance, front desk, mailroom, central records, and parking coordination. The Office Management supervisor also serves as liaison between the agency and the Department of Administration for security, mail, maintenance, records, and parking services.

Some of this area's major accomplishments for 2013 were:

- Responded to employees' ergonomic needs.
- 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.
- Provided specialized industry training in-house.
- Managed Employee Assistance Program (EAP) involvement, including: attended quarterly meetings, worked on Health Fair and gave updated EAP information to agency.
- Coordinated OCI Affirmative Action Advisory Committee involvement, including: monthly meetings, attended joint State AAAC meeting and updated committee members with information shared, continued an "Adopt a School" program in the agency, represented the agency at campus career fairs to provide information to prospective graduates about employment opportunities in insurance, and organized a diversity luncheon within the agency.
- Coordinated the hiring of the front desk staff and assumed responsibility of the supervision of the new staff as well as the Central Records staff for OCI.
- Developed and implemented a revised performance evaluation, planning and development (PPD) process.

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.

Injured Patients and Families Compensation Fund (Fund)

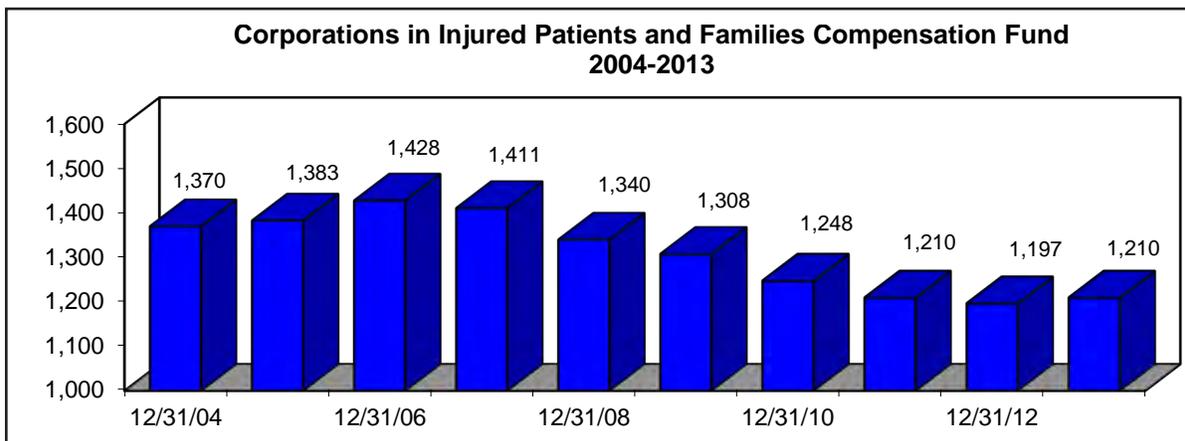
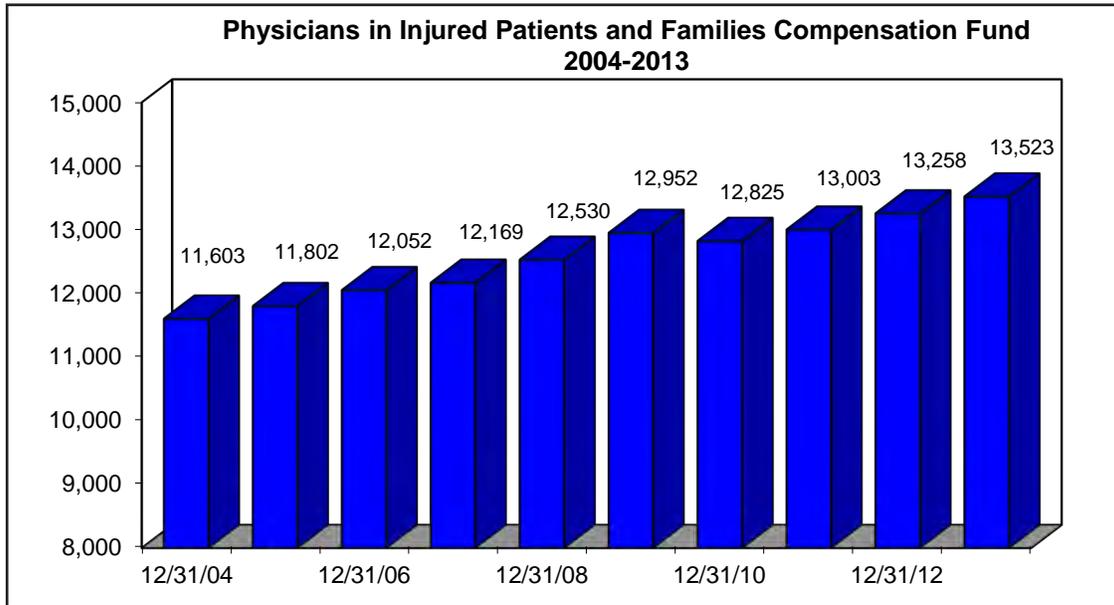
The Fund was created in 1975 to provide excess medical malpractice insurance for Wisconsin health care providers. The Fund is governed by a 13-member Board of Governors (Board) that consists of 3 insurance industry representatives, a member named by the Wisconsin Association for Justice, a member named by the State Bar of Wisconsin, 2 members named by the Wisconsin Medical Society, a member named by the Wisconsin Hospital Association, 4 public members appointed by the Governor, and the Commissioner of Insurance who serves as the chair. The Fund's administrative staff is provided by OCI.

The Board is assisted by an Actuarial and Underwriting Committee, a Legal Committee, a Claims Committee, a Finance/Investment/Audit Committee, a Risk Management and Patient Safety Committee, and a

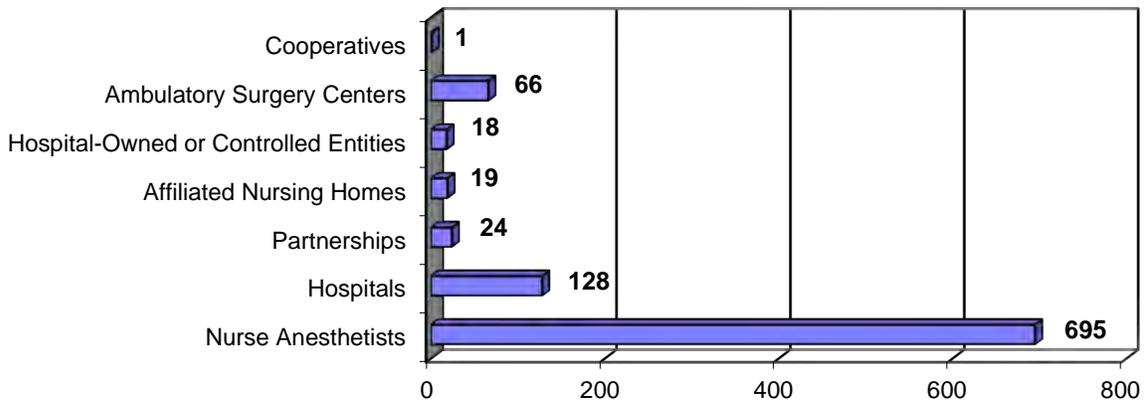
Peer Review Council. The Board and its committees meet quarterly.

The Fund operates on a fiscal year basis—July 1 through June 30. Administrative costs, operating costs, and claim payments are funded through assessments on participating health care providers.

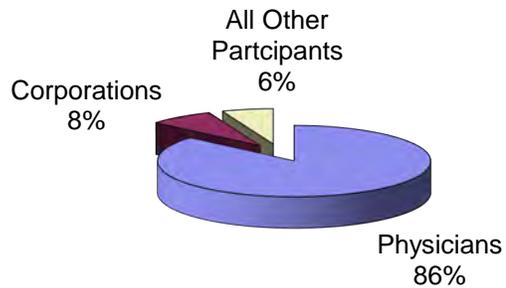
As of December 31, 2013, the vast majority of Fund participants were physicians at 86%, with corporations comprising another 8% and the remaining 6% comprised of various other participant types as illustrated in the charts below. At year-end 2013, Fund participants totaled 15,684, comprised of 13,523 physicians, 1,210 corporations, 695 nurse anesthetists, 128 hospitals with 19 affiliated nursing homes, 66 ambulatory surgery centers, 24 partnerships, 18 hospital-owned or controlled entities, and 1 cooperative.



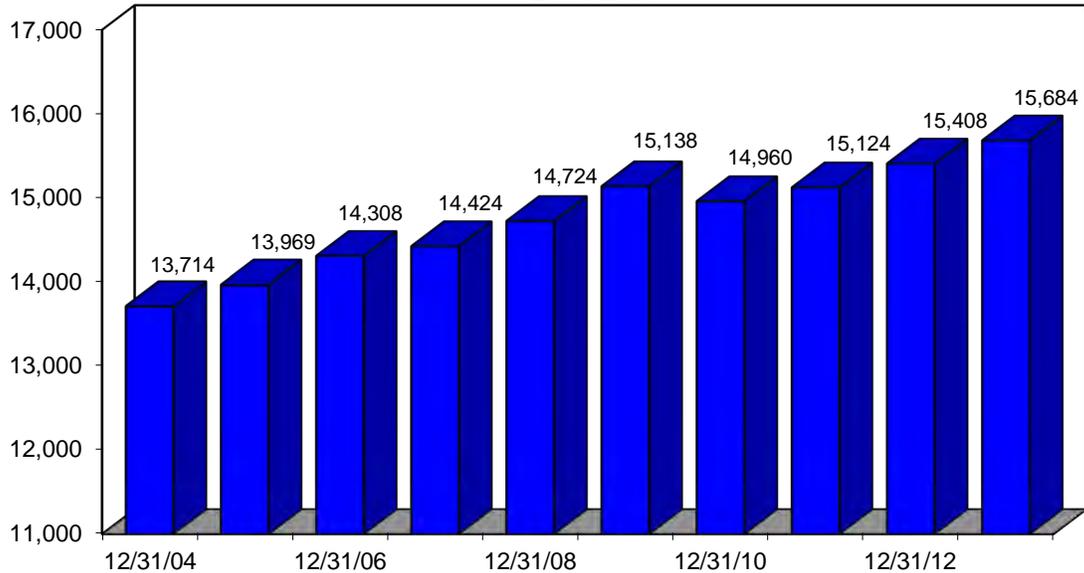
**All Other Participants in Injured Patients and Families Compensation Fund
 December 31, 2013**



**Injured Patients and Families Compensation Fund Composition
 December 31, 2013**



**Injured Patients and Families Compensation Fund Participants
 2004-2013**



From July 1, 1975, through December 31, 2013, 5,955 claims had been filed in which the Fund was named. During this period, the Fund's total number of paid claims was 667, totaling \$845,665,150. Of the total number of claims in which the Fund has been named, 5,132 claims have been closed with no indemnity payment.

2013 Major Activities

- The 2013 release of enhancements to the Web-based interface to the Fund system provides additional functionality to Fund participants and employers registered for secure access.

With the release of March 2013, electronic payment became available providing the following benefits:

- Allows for a more modern and convenient method for Fund participants to make payments.
- Improves immediacy and accuracy of banking information by avoiding the delays involved with check mailing and repetitive manual processing (by authorizing agent, accounts payable, and USBank).
- Potentially reduces noncompliance risk by facilitating timely payment.

With the release of June 2013, account update functionality became available providing the following benefits:

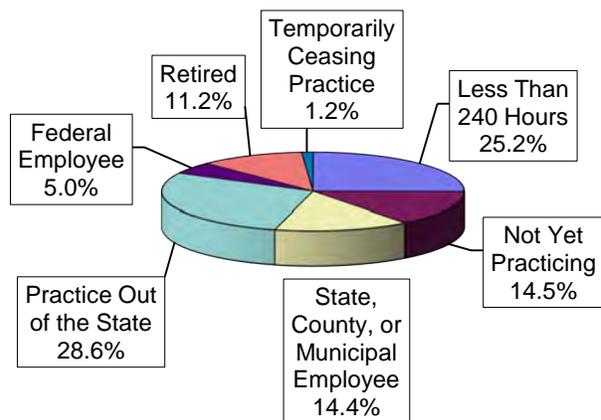
- Improves currency and accuracy of records.
 - Employer affiliation
 - Mailing address
 - Billing parameters
- Potentially reduces noncompliance risk by avoiding delays in payment associated with improper employer affiliation and/or address.

The 2013 enhancements are partial releases of phase 4 of the Fund system development (initial release of Web-based interface, phase 1, occurred in March 2010; phase 2, released in June 2011, allows carriers and self-insurers system access to download certificates; phase 3, released in 2012, allows the general public to search the database for coverage records and provides participants and employers secure access to paperless billing). Continued development will incorporate further functionality.

Links to the public database and to secure log-in access are available on OCI's Fund Web page (oci.wi.gov/ipfcf/sysaccess.htm).

- Fund administration closely monitors the use of outside counsel. Pursuant to a court decision in 2000, the Fund hires separate defense counsel on each claim. Fund staff monitors the claims and the use of this outside counsel to ensure that, while the Fund receives the necessary representation, legal fees are controlled.
- Pursuant to a Legislative Audit Bureau recommendation and a directive by the Board, an actuarial audit was performed in 2011 on the analysis performed in 2010 by the outside actuarial firm. This audit opinion concluded that the assumptions and methodologies used by the Fund's actuary and the risk margin of 25% established by the Board were reasonable. A recommendation was made to reduce the discount factor used to discount the claim liability reserves. Prior to the issuance of the audit report, the Board reduced the discount factor by .5%, to 5.0%, applicable to June 30, 2012, reserves. During 2012, the Board reduced the discount factor an additional .5%, to 4.5%, applicable to June 30, 2013, reserves.
- The Fund continually monitors and updates the exemption status for providers that held a license to practice in Wisconsin but for which a current exemption or certificate of insurance was not on file with the Fund. Providers that remain in noncompliance are referred to their respective licensing boards for appropriate enforcement action by that board. As of December 31, 2013, there were 11,081 providers exempt from participation in the Fund. The various bases for exemption are illustrated in the chart below.

**Injured Patients and Families Compensation
Fund Exemptions
December 31, 2013**



Wisconsin Insurance Report Business of 2013
Funds and Program Management, Injured Patients and Families Compensation Fund

Following are financial statements—statement of net position and statement of revenues, expenses and changes in Fund position—for the Fund for the fiscal year ending June 30, 2013.

Injured Patients and Families Compensation Fund
Statement of Net Position
June 30, 2013, Unaudited

Assets		Liabilities	
Current Assets		Current Liabilities	
Cash	\$ 1,846,946	Future Benefits and Loss Liabilities -	
State Investment Fund Shares	41,418,637	Short-term	\$ 85,521,593
Short-term Investments (market value)	63,619,980	Assessments Received in Advance	5,442,261
Bond Investment Income Receivable	9,302,516	Provider Refunds Payable	1,230,968
State Shares Interest Receivable	4,836	General & Administrative Expenses	
Investment & Securities Lending Receivable	12,281	Payable	32,807
Assessments Receivable	519,365	Medical Mediation Panels Payable	(4,139)
Less: Allowance for Uncollectible Accounts	(1,202)	Compensated Absences	<u>20,606</u>
Prepaid Items	7,134	Total Current Liabilities	<u>92,244,096</u>
Supplies Inventory and Other Assets	3,560	Noncurrent Liabilities	
Other Receivables	<u>17,102</u>	Loss Liabilities:	
Total Current Assets	<u>116,751,155</u>	Liability for IBNR	578,188,403
Noncurrent Assets		Liability for Reported Losses	8,065,109
Restricted Cash – Liability for FME		Liability for LAE	<u>107,428,738</u>
Account	39,304,363	Estimated Loss Liabilities	693,682,250
Long-term Investments (market value)	923,188,573	Less: Amount Representing Interest	<u>(105,012,754)</u>
Capital Assets, Net of Accumulated		Discounted Loss Liabilities	588,669,496
Depreciation	<u>561,313</u>	Liabilities for Future Medical Expenses	<u>39,304,363</u>
Total Noncurrent Assets	<u>963,054,249</u>	Total Loss Liabilities	627,973,859
Total Assets	<u>\$1,079,805,404</u>	Less: Loss Liabilities, Current Portion	<u>(85,521,593)</u>
		Noncurrent Loss Liabilities	542,452,266
		Compensated Absences - Long-term	53,780
		Other Post-employment Benefits	<u>44,591</u>
		Total Noncurrent Liabilities	<u>542,550,637</u>
		Total Liabilities	634,794,733
		Net Position	
		Invested in Capital Assets, Net of	
		Related Debt	561,313
		Restricted for Injured Patients and	
		Families	<u>444,449,358</u>
		Total Net Position	<u>445,010,671</u>
		Total Liabilities and Net Position	<u>\$1,079,805,404</u>

**Injured Patients and Families Compensation Fund
Statement of Revenues, Expenses
and Changes in Fund Position for the
Fiscal Year Ended June 30, 2013, Unaudited**

Operating Revenues:

Assessments	\$ 38,585,018
Assessment Interest Income	48
Administrative Fee Income	<u>35,925</u>
Total Operating Revenues	<u>38,620,991</u>

Operating Expenses:

Underwriting Expenses:	
Net Losses Paid	16,377,289
Loss Adjustment Expense Paid	4,373,419
Risk Management Expenses	52,824
Medical Expenses Paid	1,849,807
Change in Liability for IBNR	(41,022,789)
Change in Liability for Reported Losses	(12,081,565)
Change in Liability for Loss Adjustment Expense	(4,802,115)
Change in Amount Representing Interest	14,808,494
Change in Liability for Future Medical Expense	<u>5,293,967</u>
Total Underwriting Expenses	(15,150,669)
General and Administrative Expenses	695,783
Depreciation Expense	<u>42,910</u>
Total Operating Expenses	<u>(14,411,976)</u>

Operating Income (Loss) 53,032,967

Nonoperating Revenues (Expenses):

Investment Income	30,735,205
Miscellaneous Revenue	<u>(2,569)</u>

Change in Net Assets 83,765,603
Transfers to the General Fund (16,547)

Change in Net Position 83,749,056

Net Position

Net Position - Beginning of Period	<u>361,261,615</u>
Net Position - End of Period	<u>\$445,010,671</u>

Local Government Property Insurance Fund (Fund)

The Fund is established by ch. 605, Wis. Stat. The purpose of the Fund is to make property insurance available for local government units. 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. The Fund contracts with: ASU Group (policy services), Crawford & Company (claims), C-BIZ (appraisal services), ISO (rate services), Pinsoft (software), Willis (broker of record), AMI Risk Consultants (actuarial services) and Borgelt, Powell, Peterson & Frauen (legal).

As of June 30, 2013, the Fund insured 1,019 policyholders: 70 counties, 274 schools, 134 cities, 166 towns, 247 villages and 128 miscellaneous (libraries, etc.) jurisdictions. Combining new business and terminations, the overall number of policyholders decreased by 57 since the previous fiscal year-end. The Fund had 53 builder's risk policies at June 30, 2013, versus 71 as of June 30, 2012.

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, 2013, was \$53 billion, up from \$51 billion as of the previous fiscal year-end.

The Fund's balance sheet and income statement for the fiscal year ending June 30, 2013, are included with this report. The Fund experienced an underwriting gain of approximately \$131,000 following an underwriting loss of \$6.4 million the previous year.

Fund management will continue to monitor insurance in force, claims trends and Fund surplus when evaluating the Fund's rating structure. The decline in surplus also affects the Fund's rates. The Fund actuarially determines rate increases or decreases in order to maintain adequate levels of surplus.

Wisconsin Insurance Report Business of 2013
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, 2013.

Local Government Property Insurance Fund Balance Sheet—Statutory Basis June 30, 2013	
Assets	
Bonds	\$ 0
Investment Fund	26,962,000
Cash at Treasury	590
Premiums Receivable	935,347
Reinsurance Recoverable	420,503
Interest Receivable	<u>1,776</u>
Total Assets	<u>\$28,320,216</u>
Liabilities and Surplus	
Liabilities	
Net Loss Reserves	\$ 8,773,461
Loss Adjustment Expenses Payable	191,617
Net Unearned Premiums	3,689,334
Reinsurance Payable	0
Premium Received in Advance	1,157,587
Dividends Payable	0
Other Expenses Payable	<u>398,769</u>
Total Liabilities	\$14,210,768
Surplus	
Surplus - Beginning of Year	14,048,506
Net Income	131,410
Change in nonadmitted assets	<u>(70,468)</u>
Surplus - End of Year	<u>14,109,448</u>
Total Liabilities and Surplus	<u>\$28,320,216</u>

Local Government Property Insurance Fund Income Statement—Statutory Basis June 30, 2013	
Premiums Earned	
Direct Premium Earned	\$23,862,315
Reinsurance Ceded	<u>(7,091,015)</u>
Net Premium Earned	\$ 16,771,300
Losses Incurred	
Direct Losses Incurred	15,840,268
Reinsurance Loss Recoveries (Earned) Incurred	<u>(2,029,496)</u>
Net Losses Incurred	13,810,772
Loss Adjustment Expenses	929,970
Other Underwriting Expenses	<u>1,957,345</u>
Total Net Losses and Expenses	<u>16,698,087</u>
Underwriting Loss	73,213
Investment & Other Income	
Investment Fund Earnings	<u>58,197</u>
Net Investment Income	<u>58,197</u>
Net Loss	<u>\$ 131,410</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.

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 1.1%. As of December 31, 2013, there were 26,061 policies in force.

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 2013, a distribution of \$2.1 million was paid to policyholders in the form of dividends.

Following are financial statements—balance sheet and income statements—for the Fund for the year ending December 31, 2013.

State Life Insurance Fund Balance Sheet December 31, 2013	
Assets	
Bonds	\$92,046,492
Policy Loans	3,563,418
Cash and Bank Deposits	1,699,298
Premiums Deferred and Uncollected	79,406
Investment Income Due and Accrued	1,521,203
Recoverable Reins.	<u>0</u>
Total Assets	<u>\$98,909,817</u>
Liabilities and Surplus	
Reserves for Life Policies and Contracts	\$64,618,890
Interest Maintenance Reserve	130,946
Policy Claims	313,500
Dividends Due and Unpaid (2013)	15,070
Dividends - Provision for 2014	2,127,639
Deposit-Type Contracts	19,722,959
Unclaimed Property	14,853
Taxes, Licenses, Fees Accrued	625
Suspense and Cancelled Drafts	13,322
Expenses Due and Accrued	42,603
Back Up Withholding	692
Premiums Received in Advance	106,908
Asset Valuation Reserve	<u>297,081</u>
Total Liabilities	\$87,405,088
Surplus	<u>11,504,729</u>
Total Liabilities and Surplus	<u>\$98,909,817</u>

State Life Insurance Fund Income Statement December 31, 2013	
Income	
Premiums	\$1,470,847
Investment Income	5,523,118
Amortization of Interest Maintenance Reserve	674
Miscellaneous Income	<u>112,778</u>
Total Income	\$7,107,417
Expenses	
Death Benefits	1,390,388
Matured Endowments	244,000
Other Policy Benefits	1,161,328
Increase in Reserve	524,406
General Operating Expense	<u>682,755</u>
Expenses before Dividends	<u>4,002,877</u>
Net Gain before Dividends	<u>3,104,540</u>
Dividends to Policyholders	<u>2,096,882</u>
Net Gain (Loss) from Operations	<u>\$1,007,658</u>