

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 Lean Government and Business Intelligence 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 Complaints Insurance Company Access project to allow OCI and insurance companies to communicate electronically regarding consumer complaints.
- Completed company rating filing and enrollment contact information for Rate Review project.
- Implemented document management systems for Injured Patients and Families Compensation Fund system.
- Completed various server and software upgrades along with migrating some applications to newer technology.

Business Intelligence (BI)

During 2014, the office defined its BI platform, business objectives, and completed its first projects. Accomplishments included:

- Evaluated, acquired, and implemented Tableau Desktop and Server.
- Defined and prioritized BI projects for all business areas.
- Delivered BI training for select business staff.
- Completed phase one BI analysis for the Rate Review Program.
- With DET, defined enterprise Tableau environment for implementation CY 2015.

Infrastructure

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

- Delivered security training to agency staff and hardened the security measures to protect critical information.
- Upgraded the agency network backbone to improve network connectivity and system performance.
- Developed and improved Continuity of Operations desktop recovery processes.
- Re-engineered database replication processes to improve performance.
- Provided IT infrastructure administration, maintenance, and support services for the agency.
- Provided telecom systems administration, maintenance and support for the agency.

Lean Government Initiative

OCI's Lean Government Initiative was established to meet the goals identified by the Governor's Lean Government program. The project management and quality assurance program was reorganized and is now encompassed within the agency's Lean Government Initiative. Project proposals are submitted for review where potential savings are identified. Some proposals become IT projects and others are classified as business process improvement projects. Accomplishments included:

- Received and reviewed 11 proposals.
- Began identifying and mapping Agent Licensing Section processes as part of the SBS Analysis project.
- Identified changes that could be made to existing laws and statutes.
- Identified and mapped processes for Central Files.
- Provided Change Management classes to all staff.
- Provided Business Analysis training to Market Regulation staff.
- Began exploring the creation of a central repository for business analysis and process improvement for the agency.
- Completed 6 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 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.

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 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 2014 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 staffing of the front desk staff and was responsible for the supervision of the front desk 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)

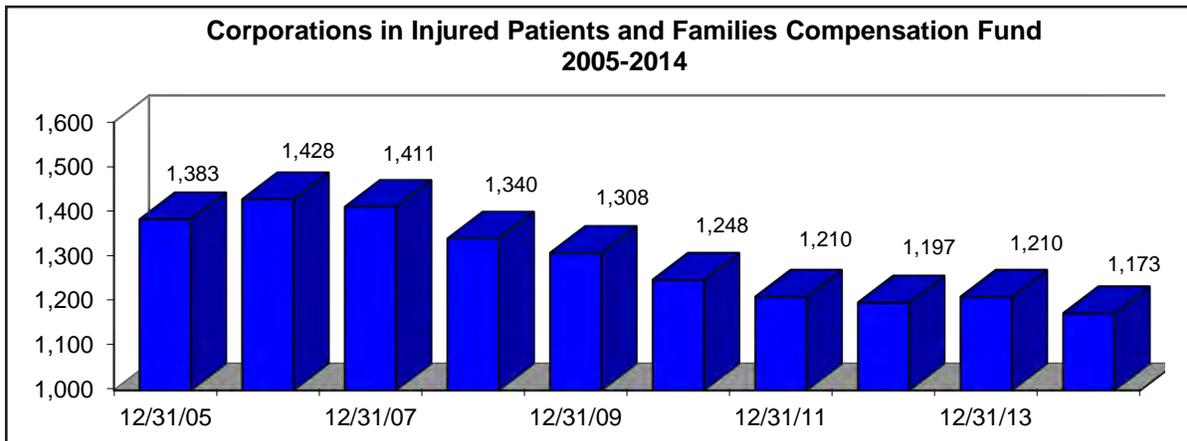
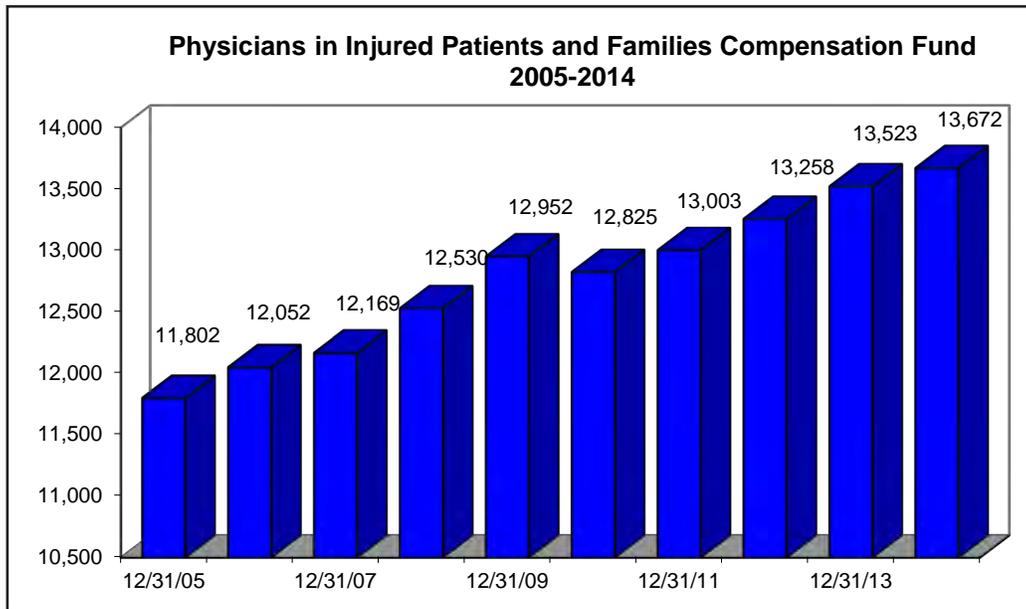
The Fund was created in 1975 to provide excess medical malpractice insurance for Wisconsin health care providers. The Fund is governed by a 13-member Board of Governors (Board) that consists of 3 insurance industry representatives, a member named by the Wisconsin Association for Justice, a member named 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

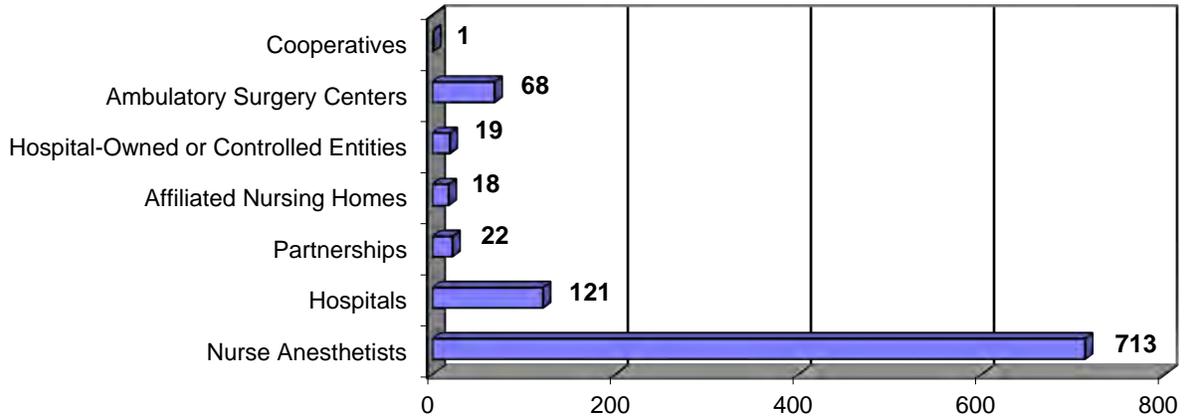
Peer Review Council. The Board and its committees meet quarterly.

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.

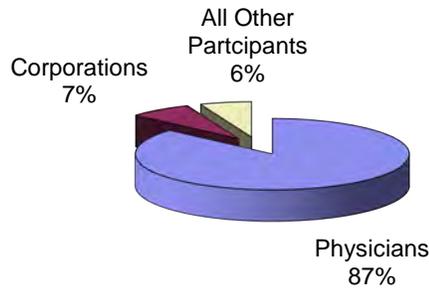
As of December 31, 2014, the vast majority of Fund participants were physicians at 87%, with corporations comprising another 7% and the remaining 6% comprised of various other participant types as illustrated in the charts below. At year-end 2014, Fund participants totaled 15,807, comprised of 13,672 physicians, 1,173 corporations, 713 nurse anesthetists, 121 hospitals with 18 affiliated nursing homes, 68 ambulatory surgery centers, 22 partnerships, 19 hospital-owned or controlled entities, and 1 cooperative.



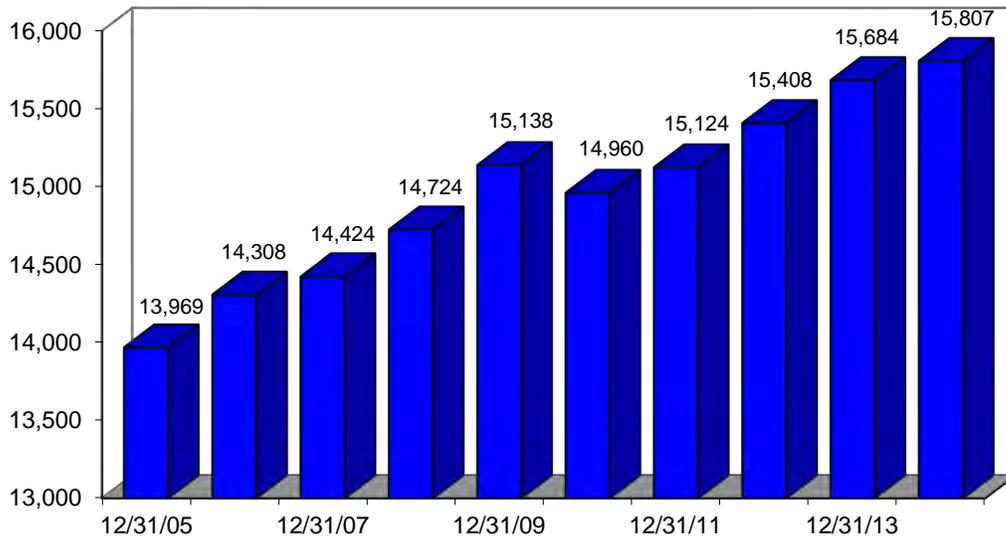
**All Other Participants in Injured Patients and Families Compensation Fund
 December 31, 2014**



**Injured Patients and Families Compensation Fund Composition
 December 31, 2014**



**Injured Patients and Families Compensation Fund Participants
 2005-2014**



From July 1, 1975, through December 31, 2014, 6,005 claims had been filed in which the Fund was named. During this period, the Fund's total number of paid claims was 666, totaling \$852,952,198. Of the total number of claims in which the Fund was named, 5,201 claims were closed with no indemnity payment.

2014 Major Activities

- The 2014 release of enhancements to the Web-based interface to the Fund system improves speed and accuracy of communication:
 - Electronic notice and viewing of noncompliance correspondence is immediate.
 - Ability to receive and complete the Annual Employee Data Reports electronically increases speed and accuracy of delivery/response by avoiding the delays associated with mailing and the resulting requirement for manual data entry by staff.

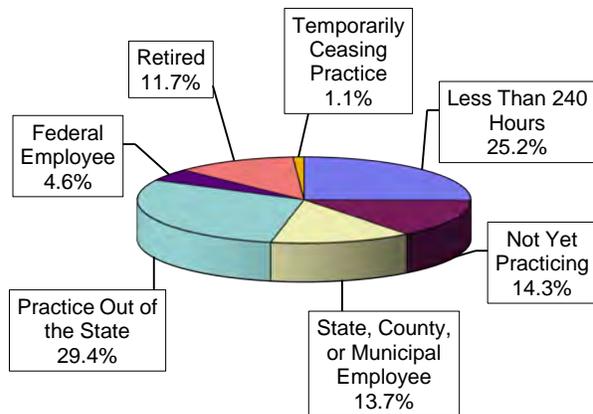
The 2014 enhancements are ongoing releases of phase 4 of Fund system development (initial release of Web-based interface, phase 1, occurred in March 2010; phase 2 released in June 2011 allows carriers and self-insurers system access to download certificates; phase 3 released in 2012 allows the general public to search the database for coverage records and provides participants and employers secure access to paperless billing; initial releases of phase 4 in 2013 allow for electronic payment and account update). Continued development will incorporate further functionality for improved customer service.

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, 2014, there were 12,415 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, 2014**



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, 2014.

**Injured Patients and Families Compensation Fund
Statement of Net Position
June 30, 2014, Unaudited**

Assets	Liabilities
<p>Current Assets</p> <p>Cash \$ 1,194,872</p> <p>State Investment Fund Shares 27,896,182</p> <p>Short-term Investments (market value) 64,115,116</p> <p>Bond Investment Income Receivable 10,238,080</p> <p>State Shares Interest Receivable 4,435</p> <p>Investment and Securities Lending Receivable 11,044</p> <p>Assessments Receivable 245,439</p> <p>Less: Allowance for Uncollectible Accounts (744)</p> <p>Prepaid Items 7,500</p> <p>Supplies Inventory and Other Assets 2,926</p> <p>Other Receivables 19,060</p> <p>Total Current Assets <u>103,733,910</u></p> <p>Noncurrent Assets</p> <p>Restricted Cash – Liability for FME Account 39,604,818</p> <p>Long-term Investments (market value) 1,037,562,442</p> <p>Capital Assets, Net of Accumulated Depreciation 671,568</p> <p>Total Noncurrent Assets <u>1,077,838,828</u></p> <p>Total Assets <u>\$1,181,572,738</u></p>	<p>Current Liabilities</p> <p>Future Benefits and Loss Liabilities - Short-term \$ 80,056,260</p> <p>Assessments Received in Advance 2,637,951</p> <p>Provider Refunds Payable 1,068,902</p> <p>General and Administrative Expenses Payable 54,392</p> <p>Medical Mediation Panels Payable 606</p> <p>Due to Other Funds 120,528</p> <p>Compensated Absences 19,440</p> <p>Total Current Liabilities <u>83,958,079</u></p> <p>Noncurrent Liabilities</p> <p>Loss Liabilities:</p> <p>Liability for IBNR 546,013,965</p> <p>Liability for Reported Losses 11,054,921</p> <p>Liability for LAE 99,288,363</p> <p>Estimated Loss Liabilities 656,357,249</p> <p>Less: Amount Representing Interest (99,505,978)</p> <p>Discounted Loss Liabilities 556,851,271</p> <p>Liabilities for Future Medical Expenses 39,604,818</p> <p>Total Loss Liabilities 596,456,089</p> <p>Less: Loss Liabilities, Current Portion (80,056,260)</p> <p>Noncurrent Loss Liabilities 516,399,829</p> <p>Compensated Absences - Long-term 64,409</p> <p>Other Post-employment Benefits 42,541</p> <p>Total Noncurrent Liabilities <u>516,506,779</u></p> <p>Total Liabilities 600,464,858</p> <p>Net Position</p> <p>Invested in Capital Assets, Net of Related Debt 671,568</p> <p>Restricted for Injured Patients and Families 580,436,312</p> <p>Total Net Position <u>581,107,880</u></p> <p>Total Liabilities and Net Position <u>\$1,181,572,738</u></p>

Injured Patients and Families Compensation Fund
Statement of Revenues, Expenses
and Changes in Fund Position for the
Fiscal Year Ended June 30, 2014, Unaudited

Operating Revenues:	
Assessments	\$ 36,564,407
Assessment Interest Income	7,561
Administrative Fee Income	<u>36,270</u>
Total Operating Revenues	<u>36,608,238</u>
Operating Expenses:	
Underwriting Expenses:	
Net Losses Paid	10,982,443
Loss Adjustment Expense Paid	4,382,016
Risk Management Expenses	70,360
Medical Expenses Paid	1,805,622
Change in Liability for IBNR	(32,174,436)
Change in Liability for Reported Losses	2,989,812
Change in Liability for Loss Adjustment Expense	(8,140,375)
Change in Amount Representing Interest	5,506,775
Change in Liability for Future Medical Expense	<u>300,455</u>
Total Underwriting Expenses	(14,277,328)
General and Administrative Expenses	886,157
Depreciation Expense	<u>59,821</u>
Total Operating Expenses	<u>(13,331,350)</u>
Operating Income (Loss)	<u>49,939,588</u>
Nonoperating Revenues (Expenses):	
Investment Income	86,155,806
Miscellaneous Revenue	<u>18,646</u>
Change in Net Assets	136,114,040
Transfers to the General Fund	<u>(16,831)</u>
Change in Net Position	136,097,209
Net Position	
Net Position - Beginning of Period	<u>445,010,671</u>
Net Position - End of Period	<u>\$581,107,880</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), University of Wisconsin-Madison (rate development), Pinsoft (software), Willis (broker of record), AMI Risk Consultants (actuarial services) and Borgelt, Powell, Peterson & Frauen (legal).

As of June 30, 2014, the Fund insured 1,043 policyholders: 69 counties, 252 schools, 128 cities, 161 towns, 242 villages and 130 miscellaneous (libraries, etc.) jurisdictions. Combining new business and terminations, the overall number of policyholders decreased by 29 since the previous fiscal year-end. The Fund had 61 builder's risk policies at June 30, 2014, versus 53 as of June 30, 2013.

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, 2014, was \$52 billion, down from \$53 billion as of the previous fiscal year-end.

The Fund's balance sheet and income statement for the fiscal year ending June 30, 2014, are included with this report. The Fund experienced an underwriting loss of approximately \$14,900,000 following an underwriting gain of \$131,000 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 2014
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, 2014.

Local Government Property Insurance Fund Balance Sheet—Statutory Basis June 30, 2014	
Assets	
Bonds	\$ 0
Investment Fund	8,108,000
Cash at Treasury	851
Premiums Receivable	4,053,198
Reinsurance Recoverable	13,089,207
Interest Receivable	<u>798</u>
Total Assets	<u>\$25,252,054</u>
Liabilities and Surplus	
Liabilities	
Net Loss Reserves	\$ 13,129,283
Loss Adjustment Expenses Payable	315,191
Net Unearned Premiums	2,987,885
Reinsurance Payable	6,372,228
Premium Received in Advance	3,660,369
Dividends Payable	0
Other Expenses Payable	<u>169,551</u>
Total Liabilities	\$26,634,507
Surplus	
Surplus - Beginning of Year	14,109,448
Net Income	(14,845,364)
Change in Nonadmitted Assets	(19,737)
Change in Provision for Reinsurance	<u>(626,800)</u>
Surplus - End of Year	<u>(1,382,453)</u>
Total Liabilities and Surplus	<u>\$25,252,054</u>

Local Government Property Insurance Fund Income Statement—Statutory Basis June 30, 2014	
Premiums Earned	
Direct Premium Earned	\$ 26,229,047
Reinsurance Ceded	<u>(8,190,501)</u>
Net Premium Earned	\$ 18,038,546
Losses Incurred	
Direct Losses Incurred	68,033,321
Reinsurance Loss Recoveries (Earned) Incurred	<u>(38,115,794)</u>
Net Losses Incurred	29,917,527
Loss Adjustment Expenses	923,026
Other Underwriting Expenses	<u>2,193,549</u>
Total Net Losses and Expenses	<u>33,034,102</u>
Underwriting Loss	(14,995,556)
Investment & Other Income	
Investment Fund Earnings	8,471
Interest	<u>141,721</u>
Net Investment Income	<u>150,192</u>
Net Loss	<u>\$(14,845,364)</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 0.1%. As of December 31, 2014, there were 25,584 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 2014, a distribution of \$4.7 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, 2014.

State Life Insurance Fund Balance Sheet December 31, 2014	
Assets	
Bonds	\$93,494,641
Policy Loans	3,463,479
Cash and Bank Deposits	1,765,328
Premiums Deferred and Uncollected	67,161
Investment Income Due and Accrued	1,384,814
Recoverable Reins.	<u>0</u>
Total Assets	<u>\$100,175,423</u>
Liabilities and Surplus	
Reserves for Life Policies and Contracts	\$65,023,291
Interest Maintenance Reserve	117,818
Policy Claims	282,294
Dividends Due and Unpaid (2014)	17,308
Dividends - Provision for 2015	3,641,951
Deposit-Type Contracts	20,768,205
Unclaimed Property	34,203
Taxes, Licenses, Fees Accrued	878
Suspense and Cancelled Drafts	2,494
Expenses Due and Accrued	46,507
Back Up Withholding	647
Premiums Received in Advance	24,660
Asset Valuation Reserve	<u>302,107</u>
Total Liabilities	\$ 90,262,363
Surplus	<u>9,913,060</u>
Total Liabilities and Surplus	<u>\$100,175,423</u>

State Life Insurance Fund Income Statement December 31, 2014	
Income	
Premiums	\$1,557,460
Investment Income	5,345,970
Amortization of Interest Maintenance Reserve	18,007
Miscellaneous Income	<u>1,521</u>
Total Income	\$ 6,922,958
Expenses	
Death Benefits	1,141,685
Matured Endowments	364,000
Other Policy Benefits	1,227,431
Increase in Reserve	404,401
General Operating Expense	<u>623,276</u>
Expenses before Dividends	<u>3,760,793</u>
Net Gain before Dividends	<u>3,162,165</u>
Dividends to Policyholders	<u>4,707,862</u>
Net Gain (Loss) from Operations	<u>\$(1,545,697)</u>