



STATE OF WISCONSIN
Department of Employee Trust Funds
A. John Voelker
SECRETARY

Wisconsin Department
of Employee Trust Funds
PO Box 7931
Madison WI 53707-7931
1-877-533-5020 (toll free)
Fax 608-267-4549
etf.wi.gov

Correspondence Memorandum

Date: February 23, 2023
To: Audit Committee
From: Michelle Hoehne
Office of Internal Audit (OIA)
Subject: Third-Party Administrator Contract Compliance Engagement Results – Life Insurance

This memo is for informational purposes only. No action is required.

ETF retained Wipfli LLP to conduct a contract compliance engagement of Securian Financial Group (Securian), the administrator for the Group Life Insurance Program for plan years 2020-2021. The engagement, completed as an Agreed-Upon Procedures engagement with an additional review of internal controls, policies, and procedures, was completed in accordance with the Statement of Work created by ETF program staff, assisted by OIA.

Some exceptions were identified in testing whether Securian was meeting contract timeliness standards for evidence of insurability declinations and approvals (2 exceptions¹), claims processing (1 exception), and disability premium waivers processing (2 exceptions). ETF program staff are satisfied with Securian's explanations of the exceptions and overall achievement of contract performance standards.

The results of this engagement, which are attached, were presented to the Group Insurance Board (GIB), which has oversight of the Life Insurance Program, at its February 22, 2023 meeting. The results were presented for informational purposes only, and no Board action pertaining to the program, or the engagement results, was requested or taken. We are sharing the results of this engagement to help the Audit Committee fulfill its responsibilities for reviewing the results of external audits.

Attachment I: Life Insurance Audit Report Memo to GIB
Attachment II: Report on Applying Agreed-Upon Procedures (AUP) 2020-2021
Attachment III: Internal Controls, Policies and Procedures Report 2020-2021

¹ As noted on page 5 of the Report on Applying AUP, three additional exceptions were initially identified. These were due to error in testing procedure and subsequently determined not to be exceptions.

Reviewed and approved by Yikchau Sze, Director, Office of Internal Audit
Electronically Signed 03/07/23

Board	Mtg Date	Item #
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Correspondence Memorandum

Date: January 25, 2023

To: Group Insurance Board

From: Tom Rasmussen, Life and Dental Insurance Plan Manager
 Office of Strategic Health Policy

Subject: Life Insurance Audit Report

This memo is for informational purposes only. No Board action is required.

Background

The Department of Employee Trust Funds (ETF) retained Wipfli LLP (Wipfli) to complete a biennial contract compliance audit of ETF contract ETI0047 (Contract), between ETF and Securian Financial Group (Securian) for Third Party Administration of the Wisconsin Public Employers (WPE) Group Life Insurance Program (Program). Wipfli is an independent auditing firm.

ETF asked Wipfli to determine if Securian has sound business practices, sufficient internal controls, and applies agreed-upon procedures for third-party administration of the WPE Program.

Attached are audit reports prepared by Wipfli for plan years 2020 and 2021. The reports separate the internal controls review into a separate document to match professional standards for indicating what falls under agreed-upon procedures. The audit included inquiries, observations, tests, and sampling regarding procedures Securian uses to administer the Program. The audit was based on the agreed-upon procedures outlined in the contract between ETF and Wipfli, dated November 10, 2021, or as otherwise discussed by ETF and Wipfli in advance of the audit.

Audit Highlights

The audit confirms Securian is compliant with policy and reporting elements of the administrative agreement in key areas. Key areas the audit examined include the following:

- Evidence of Insurability Coverage Declinations and Approvals
- Claims Testing
- Eligibility and Premium Testing
- Disability Premium Waivers

Reviewed and approved by Eileen Mallow, Director, Office of Strategic Health Policy
 Electronically Signed 02/01/2023

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- Cancellation and Termination Processing
- Life to Health Conversions
- Premium Billing and Collection
- Review of Internal Controls.

Evidence of Insurability Coverage Declinations and Approvals

The Administrative Agreement requires Securian to approve or request additional information deemed necessary for making an underwriting decision on 98% of all applications requiring evidence of insurability within seven calendar days after the receipt of the completed application. The Administrative Agreement also requires Securian to make a final disposition of 95% of all evidence of insurability applications (with notification mailed to the applicant) within seven calendar days after receipt of all necessary information. ETF asked Wipfli to audit applications that were filed under the evidence of insurability provision to ensure declinations and approvals contained appropriate documentation consistent with policies developed by Securian. Wipfli also examined the timeliness of Securian making a final disposition as outlined in the Contract performance standards.

Wipfli reviewed 25 randomly selected files from the 1,400 evidence of insurability applications submitted during the 2020-2021 period.

Findings

There were two exceptions identified.

ETF requested Securian examine the exceptions identified and provide an explanation of the circumstances of why they occurred. In one exception identified, Securian's underwriting system showed that the approval decision and notification statement was ordered on the same date it was received. However, Securian found an error with the production of the notification letter. Securian confirmed that the notification statement was sent outside of the performance standard of seven calendar days.

In the second exception identified, Securian acknowledged there was an error in the timing for the approval of the spouse coverage related to this application. The spousal coverage should have been approved within seven days of Securian receiving the application, but due to the error, the notification letter was sent outside of the seven-day performance standard.

ETF is satisfied with Securian's response to the exceptions and with steps being taken to minimize the likelihood that similar errors will occur in the future.

Claims Testing

The Administrative Agreement requires 95% of claims must be paid within 10 calendar days after receipt of all necessary proof, and 99% of all initial requests for additional information be mailed within seven calendar days of receipt of notice of death. Wipfli examined 60 randomly selected claims out of the 5,098 claims paid during the 2020-

2021 period. Wipfli also examined the amount of each claim to ensure that the claim payment was recomputed based on the type of claim (state vs. local), coverage elected, earnings, and age.

Findings

There was one exception identified. Securian examined the exception identified and acknowledged the time to pay the death and dismemberment claim from time of receipt of all necessary proof exceeded 10 calendar days. When the certificates were received on the claim, the proof date for the claim was updated to reflect the date that the certificates were established and the date that allowed Securian to move forward with claim payment. This was done in error. ETF is satisfied with Securian's explanation.

Eligibility and Premium Testing

The Administrative Agreement requires 99% of all eligible applications be approved or denied within seven calendar days following receipt of a completed application. Wipfli examined participant applications to verify that coverage effective dates and premiums began in the same period, and premiums were being correctly calculated according to age, State vs. Local, and active vs. retiree and pre-age 65 retiree status. Wipfli randomly selected 25 of the 20,464 applicants who enrolled and/or had a status change(s) during the 2020 – 2021 period.

Findings

No exceptions were found as a result of the examination. The processing time for all selected records fell within the required standard.

Disability Premium Waivers

The Administrative Agreement requires, for new waiver of premium disability claims, Securian request additional information for 99% of such claims within seven calendar days after the receipt of the claim. Also, for new waiver of premium disability claims, Securian must make final disposition of 95% of claims within 10 calendar days of receipt of all necessary information. Participants who are actively employed and become totally disabled may receive continued coverage that requires no premiums. ETF asked Wipfli to verify that disability premium waiver claims were processed as specified in the Administrative Agreement as well as to ensure appropriate documentation and adjudication timeliness are being met. Wipfli obtained documentation of Securian's process for disability premium waivers under the plan and reviewed 25 randomly selected records of the 2,037 files that included requests for waivers of premiums during the 2020 – 2021 period.

Findings

For all files selected, documentation, denials, and determinations were consistent with policies established by Securian. There were two exceptions identified.

Securian responded to these exceptions with an explanation that one of the claims involved lengthy medical and legal review before issuing the claim determination. Securian acknowledges the claim decision was made outside of the performance

standard. The other exception identified was related to a waiver claim that originally began in 2004. A disability review occurs every two to three years for on-going disability claims.

Cancellation and Termination Processing

ETF asked Wipfli to examine employee cancellations and terminations to verify the effective date of the cancellation was the first day of the month following the status termination date. Wipfli obtained documentation of Securian's process for policy cancellation and termination under the plan. They examined 25 randomly selected records out of 18,994 records that included cancellations and terminations during the 2020-2021 period. They inspected the cancellation or termination date for each record examined and compared it to the Securian database.

Findings

There were no exceptions noted between the cancellation or termination dates per Securian's database.

Life to Health Conversions

Employees whose Basic life insurance coverage is at its final, reduced amount may choose to convert their coverage to pay premiums for health insurance or long-term care insurance. Premiums are paid until the account containing the conversion value is reduced to zero. ETF asked Wipfli to examine a random sample of health-to-life conversion policies to ensure that the remittances were completed timely.

Wipfli obtained documentation of Securian's process for life-to-health conversion under the plan. They obtained a data file containing a listing of all health insurance premiums paid on health to life conversions and randomly selected 25 of the 298 life-to-health conversions with premiums paid during the 2020-2021 period.

For the 25 randomly selected participants, Wipfli inspected the annual remaining balance notification letter sent to the participant. In addition, they inspected the schedule of the remaining balance attached to each annual notification letter. They obtained and inspected the four-month letter sent to participants that disclosed a reduced value of zero in the corresponding four months.

Findings

All letters were sent within the time requirements.

Premium Billing and Collection

ETF asked Wipfli to examine whether premiums were correctly calculated according to age, and rates specified in the Administrative Agreement. Coverage and premiums are based on the previous year's annual earnings as reported by ETF or expected earnings in the year of hire.

Wipfli obtained an electronic data file containing all premiums billed during March 2020 and October 2021 and all premiums collected during December 2020 and April 2021.

Using randomly selected samples, Wipfli viewed the premium billing calculations, which included a listing of all the employees, their insurance coverage, and the rate table used. They also viewed the amount invoiced and compared it to the amount received from the employer.

Findings

No exceptions were found as a result of applying this procedure. Any difference was the result of employer adjustments, which were provided along with the premium files. No exceptions were found in the recording of premiums between state, local, active, and retirees as consistent with the requirements of the Contract.

Review of Internal Controls

Wipfli's objective was to obtain an understanding of the procedures and controls surrounding the Program's processes in specific areas of enrollment and eligibility, premium billing and collection, retirement, claims, cancellations, and disability premiums. Wipfli also examined how the interest crediting reserve is calculated and obtained an understanding of how the policy year reports are compiled.

Wipfli examined Securian's System and Organizations Control (SOC 1) report and bridge letter covering the testing timeframe and found no relevant testing exceptions or control weaknesses considered to be significant.

Wipfli also reviewed Securian's process for crediting interest on the contingent liability reserve, the premium deposit fund, the stabilization reserve, and the disability claim reserves in accordance with the investment year interest crediting method (as required by the Administrative Agreement). Interest credits and charges on cash flow are required to be calculated for each policy year.

Wipfli also reviewed Securian's processes in place to compile the policy year reports as outlined in the policy, master services, and administrative agreements.

Findings

Wipfli observed and deemed the interest crediting reserves to be compliant with the Administrative Agreement. Also, Wipfli identified no exceptions in its testing related to Securian's compliance with the Administrative Agreement as it relates to compiling the policy year reports.

Conclusion

No significant exceptions were identified, and no recommendations were made by Wipfli as a result of the audit. ETF is satisfied with the explanations that Securian provided for the exceptions that were identified. All performance standards were met by Securian during the audit period. Copies of the audit reports are included.

Staff will be at the Board meeting to answer any questions.

Life Insurance Audit Report
January 25, 2023
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Attachment A: [Report on Applying Agreed Upon Procedures 2020-2021](#)
Attachment B: [Internal Controls and Procedures Review Report 2020-2021](#)

Group Insurance Board State of Wisconsin Department of Employee Trust Funds

Independent Accountant's Report on Applying
Agreed-Upon Procedures for Third-Party
Administration of Group Life Insurance Program

Years Ended December 31, 2021 and 2020



Group Insurance Board State of Wisconsin

Independent Accountant’s Report on Applying Agreed-Upon Procedures

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Independent Accountant's Report on Applying Agreed-Upon Procedures for Third-Party Administration of Group Life Insurance Program

Group Insurance Board
Department of Employee Trust Funds
State of Wisconsin
Madison, Wisconsin

We have performed the procedures presented in the following report related to Securian Financial Group's (Securian) compliance with the Contract for Third-Party Administration for the Group Life Insurance Program for the years ended December 31, 2020 and 2021. Securian's management is responsible for the Group Life Insurance Program's compliance with the Contract for Third-Party Administration for the Group Life Insurance Program.


The State of Wisconsin - Department of Employee Trust Fund's (ETF) management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting users in determining whether Securian complied with the specified requirements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

Our procedures and findings are described in the following report.

We were engaged by the State of Wisconsin - Department of Employee Trust Fund's management to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on Securian's compliance with the Contract for the Third-Party Administration for the Group Life Insurance Program. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Securian and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the State of Wisconsin – Department of Employee Trust Funds, and is not intended to be and should not be used by anyone other than this specified party.

A handwritten signature in black ink that reads "Wipfli LLP".

Wipfli LLP
Madison, Wisconsin

November 10, 2022 (except for the Evidence of Insurability Coverage Declinations and Approvals section, as to which the date is January 6, 2023)

Section 1 – Objectives and Scope

Objectives and Scope

This section of our report is based on the agreed-upon procedures as set forth in our proposal dated November 28, 2018, and the contract dated April 29, 2019, and amended November 10, 2021, which included the Statement of Work.

A. Background – Group Life Insurance Program

The Group Life Insurance Program (GLIP) is authorized by Wisconsin Statutes. The Program is available to the employees of the State and participating local government employers with at least six months participation under the Wisconsin Retirement System (WRS). The Program is funded by employer and employee premium payments as well as investment income. Benefits provided under the Program consist of death benefits, dismemberment benefits, and other health conversion features.

The Program is administered by Securian Financial Group, who also acts as insurer. Under the administrative agreement between the Group Insurance Board (GIB) and Securian, Securian is responsible for the provision of technical assistance, enrollment, premium reporting and billing, claims administration, provision of marketing and promotional materials, and certain periodic reporting. The ETF is responsible for communication of program provisions to employees, including the printing and distribution of manuals and forms and counseling employers and participating employer groups, maintenance of employee and employer records, and administration of the appeals process.

B. Previous Engagements

The GLIP was last subjected to agreed-upon procedures concerning compliance for the period of January 1, 2018, through December 31, 2019.

C. Scope

Our engagement extends to the application of the certain procedures enumerated in Section II of this report. We applied these procedures to the records and systems maintained by Securian and ETF. Our procedures were applied to the 2020 and 2021 plan years.

Section II – Group Life Insurance Program Procedures and Results

Group Life Insurance Program Procedures and Results

Evidence of Insurability Coverage Declinations and Approvals

Employees who do not enroll during the open enrollment period, or who wish to increase their spouse and dependent coverage, may obtain coverage by providing the insurer satisfactory evidence of insurability. As the insurer, Securian has the discretion to extend or decline coverage.

Procedures

1. Obtained documentation of the enrollment process under the evidence of insurability provisions and discussed the policies with appropriate personnel.
2. Obtained electronic data file containing coverage declinations and approvals from Securian during the 2020-2021 period.
3. Selected a sample of 25 declinations and approvals and inspected documentation and basis for coverage decision, including substantiated support for the denial or approval status. Recomputed processing times and compared to the performance standards indicated in the administrative agreement.
4. Compared policies and results of the 25 sampled declinations and approvals with requirements of the ETF contract.

Results

We obtained documentation of the process for enrollments under the evidence of insurability provisions of the plan. We obtained an electronic data file containing all persons declined and approved coverage under evidence of insurability and randomly selected 25 (12 from 2021 and 13 from 2020) of the 260 declined and 1,140 approved during the 2020-2021 period.

We inspected the electronic files, recalculated the underwriting build rating, inspected the medical questionnaire (as applicable), and inspected the physician's statement (as applicable). In addition, we recalculated the number of days to request additional information, if applicable, process, and mail final decision notification.

The Administrative Agreement requires 98% of all applications requiring additional information be requested within 7 calendar days after the receipt of the completed application. In addition, the Administrative Agreement requires 95% of final dispositions be mailed within 7 calendar days after receipt of all necessary information.

Within the sample of 25 inspected (12 approvals and 13 declinations), we identified the following exceptions:

Days from Additional Information Received to Decision Letter – 2 approvals exceeded the 7-day requirement (12 and 9 days)

In our report dated November 10, 2022, three additional exceptions were reported. However, subsequent to that date additional documentation provided by Securian resolved those exceptions and accordingly, they have been removed from this report.

Group Life Insurance Program Procedures and Results

Claims Testing

Generally, ETF is contacted at the time of an insured member's death. ETF notifies Securian and the appropriate forms are forwarded to the beneficiaries. Upon submission of the claim request form and supporting documentation, Securian pays the claim according to the plan and the beneficiaries' requests.

Procedures

1. Discussed the policies with appropriate personnel.
2. Obtained an electronic data file containing claims paid from Securian during the 2020-2021 period.
3. Selected a sample of 60 claims paid and inspected documentation and payment details. Recomputed processing times and compared to the performance standards indicated in the administrative agreement.
4. Compared policies and results of 60 sampled claim transactions with requirements of the ETF contract.

Results

We obtained documentation of the process for claims payment under the plan. We obtained a data file containing all claims paid and randomly selected 60 (30 from 2021 and 30 from 2020) of the 5,098 claims paid during the 2020-2021 period.

The electronic files of all claims selected contained the following documents: initial application, distribution request (via notice of death and/or call center record), certificate of death, initial request letter from Securian, final proof dates, and claim paid information, as applicable. The amount of each claim payment was recomputed based on type of claim (state vs. local), coverage elected, earnings base, and age at date of death. No exceptions were found as a result of applying the procedures, either in the payment amount, the interest paid, the beneficiary payee, or the recording between state, local, active, and retiree, in accordance with the requirements of the administrative agreement.

The Administrative Agreement requires 95% of claims to be paid within 10 calendar days after receipt of all necessary proof. In addition, the Administrative Agreement requires 99% of all initial requests for additional information are mailed within 7 calendar days of notice of death.

With the sample of 60 claims inspected, we identified the following exceptions:

Days from receipt of proof to claim payment – 1 claim exceeded the 10-day requirement (19 days)

Group Life Insurance Program Procedures and Results

Eligibility and Premium Testing

All employees of the State of Wisconsin and participating local governments who participate in the WRS are eligible to participate in the plan. Participants have thirty days upon hire to enroll. Coverage becomes effective upon completion of the application. Certain legislative, judicial, and other employees are immediately eligible. Coverage and premiums are based on the previous year's annual earnings as reported to WRS, or expected current earnings in the year of hire. Participants may elect additional, supplemental, and spouse and dependent coverage subject to certain criteria. Premiums may be adjusted annually by ETF.

Procedures

1. Discussed the policies with appropriate personnel.
2. Obtained an electronic data file containing new participants/enrollees and non-new employees (status changes, etc.) during the 2020-2021 period.
3. Selected a sample of 25 participants and inspected eligibility documentation and premium determination. Recomputed processing times and compared to the performance standards indicated in the administrative agreement.
4. Compared policies and results of the 25 sampled participants with requirements of the ETF contract.

Results

We obtained electronic documentation of the process for eligibility and premium determination and remittance under the plan. We observed that there were two separate processes in place for each of the following groups:

- State and State agency employees
- Local government unit employees

We obtained an electronic data file containing all new enrollments and non-new employees (status changes) and randomly selected 25 (12 from 2021 and 13 from 2020) of the 20,464 local and state applicants who enrolled and/or had status changes during the 2020-2021 period. For each participant, we viewed the signed application noting the insurance amount and type request and agreed this back to the initial electronic data file. We recalculated the premium amount according to age and rates specified in the Administrative Agreement. We observed that the coverage effective date and premiums began in the same period. No exceptions were found as a result of applying the procedures.

The Administrative Agreement requires 99% of all eligible applications be approved or denied within 7 calendar days following the receipt of a completed application. The processing times for all items selected fell within the required standards.

Group Life Insurance Program Procedures and Results

Disability Premium Waivers

Participants who are actively employed and become totally disabled may receive continued coverage that requires no premiums, subject to periodic documentation requirements.

Procedures

1. Discussed the policies with appropriate personnel.
2. Obtained an electronic data file containing disability premium waivers during the 2020-2021 period.
3. Selected a sample of 25 participants and inspected documentation and premium waiver determination. Recomputed processing times and compared to the performance standards indicated in the administrative agreement.
4. Compared policies and results of the 25 sample premium waivers with requirements of the ETF contract.

Results

We obtained documentation of the process for disability premium waivers under the plan. We obtained a data file containing premium waivers and randomly selected 25 (12 from 2021 and 13 from 2020) of the 2,037 waivers of premiums during the 2020-2021 period.

For each participant, we inspected the participant's application, noting each contained an initial request form, correspondence for additional information, notice of disability form, if applicable, and the attending physician statement, if applicable. For all items selected, documentation, denials and determinations were consistent with policies developed by Securian.

We inquired with Kjirsten Elsner of the process of medical condition follow-up. Securian follows up on medical conditions for disability waiver premium claims that are approved for a limited number of years. The follow-up occurs in advance of the approval expiration and includes requests for documentation on the member disability status. Disability waiver premiums approved for LTDI are permanently approved, and therefore no further follow-ups are performed.

The Administrative Agreement requires that 99% of new waiver of premium disability claims needing additional information be requested within 7 calendar days after the receipt of claim and 95% of disability claims to be adjudicated within 10 days of proof being received.

With the sample of 25 waivers inspected, we identified the following exceptions:

Days from adjudication after proof being received – 2 claims exceeded the 10-day requirement (51 and 15 days). The 15-day exception relates to a waiver dating back to 2004.

Group Life Insurance Program Procedures and Results

Cancellation and Termination Processing

Coverage is suspended for employees who are terminated and active employees who elect to cancel their coverage. The effective date of the cancellation is the first day of the month following the status termination date.

Procedures

1. Discussed the policies with appropriate personnel.
2. Obtained an electronic data file containing all policy cancellations and terminations during the 2020-2021 period.
3. Selected a sample of 25 participants and inspected documentation of the policy cancellation.
4. Compared policies and results of the 25 sample cancellations and terminations with requirements of the ETF contract.

Results

We obtained documentation of the process for policy cancellation and terminations under the plan. We obtained a data file containing all policy cancellation and terminations and randomly selected 25 (12 from 2021 and 13 from 2020) of the 18,994 cancellations and terminations during the 2020-2021 period. Of the 25 selected, our sample included 19 terminations and 6 cancellations.

For each participant, we inspected the cancellation or termination date and compared it to the Securian database. There were no exceptions noted between the cancellation and or termination dates per the required documentation and the cancellation and or termination dates per the Securian system.

Group Life Insurance Program Procedures and Results

Life to Health Conversions

Employees whose basic life insurance coverage is at its final reduced amount may choose to convert their coverage to pay premiums for health insurance or long-term care insurance. Premiums are paid until the account containing the conversion value is reduced to zero.

Procedures

1. Discussed the policies with appropriate personnel.
2. Obtained an electronic data file containing all life to health policy conversions during the 2020-2021 period.
3. Selected a sample of 25 participants and inspected documentation of the policy conversion.
4. Compared policies and results of the 25 sample life to health conversions with requirements of the ETF contract.

Results

We obtained documentation of the process for life to health conversions under the plan. We obtained a data file containing a listing of all health insurance premiums paid on health to life conversions and randomly selected 25 (12 from 2021 and 13 from 2020) of the 298 life to health conversions with premiums paid during the 2020-2021 period.

For each participant, we inspected the annual remaining balance notification letter sent to the participant, noting that every letter in the sample was dated either November 10, 2021 and/or November 10, 2020, which complies with the agreement. In addition, we inspected the schedule of the remaining balance attached to each annual notification letter. For any that disclosed a reduced value of zero in the corresponding four months, we obtained and inspected the four-month letter sent to the participant. In the sample of 25, one participant qualified for the four-month letter which was sent within the time requirements.

Group Life Insurance Program Procedures and Results

Premium Billing and Collecting

Coverage and premiums are based on the previous year's annual earnings as reported to WRS, or expected current earnings in the year of hire. Rates are outlined in the Administrative Agreement, are based on age in the year of coverage, and can change yearly. Participants may elect additional, supplemental, and spouse and dependent coverage subject to certain criteria. Premiums may be adjusted annually by ETF.

Procedures

1. Discussed the policies with appropriate personnel.
2. Obtained an electronic data file for all premiums billed during March 2020 and October 2021, and all premiums collected during December 2020 and April 2021. These months were selected judgmentally as agreed to with ETF.
3. Selected a sample of 25 participants and inspected premium billing and collecting documentation.
4. Compared policies and results of the 25 sampled participants with requirements of the ETF contract.

Results

We obtained an electronic data file containing all premiums billed during March 2020 and October 2021, and all premiums collected during December 2020 and April 2021, and randomly selected a sample of 7 billed during October 2021, and 6 billed/collected for the remaining time periods. For each selection, we viewed the premium billing calculation, which included a listing of all of the employees, their insurance coverage, and rate table used. In addition, we viewed the amount invoiced and compared it to the amount received from the Employer. No exceptions were found as a result of applying this procedure. Any differences were the result of Employer adjustments, which were provided along with the premium files. No exceptions were found in the recording of premiums between state, local, active, and retiree as consistent with the requirements of the ETF contract.

Group Life Insurance Program Procedures and Results

Administrative Performance Standards

The Administrative Agreement between the ETF and Securian requires Securian to report quarterly on a variety of service levels. The standards generally relate to timely processing of claims, applications, and underwriting determinations.

Procedures

1. Discussed the process with appropriate personnel.
2. Obtained quarterly service level reporting furnished to ETF during 2020-2021.
3. Selected all service levels from one quarter of each year from 2020-2021 and agreed to underlying detail.
4. Compared process, reports, and results of sampled detail with requirements of the ETF contract.

Results

Quarter 1 of 2020 and Quarter 3 of 2021 were selected to test all of the service requirements:

Service Level	Requirement	Testing
A	Pay 95% of all death and dismemberment claims within 10 calendar days after receipt of all necessary proof	Traced and agreed to claim payment spreadsheet. For Q3 2021, 1 claim and for Q1 2020, 6 claims, were above the required 10 calendar days. Neither amount surpassed the 95% requirement.
B	Mail 99% of all initial requests for information for death and dismemberment claims within 7 calendar days of receipt of Notice of Death (ET-6301) and other documentation from the Department	Traced and agreed to claim payment spreadsheet. For Q3 2021, 2 claims and for Q1 2020, 2 claims, were above the required 7 calendar days. Neither amount surpassed the 99% requirement.
C	Approve or reject 99% of all applications eligible for processing within 7 calendar days after receipt of completed form	Traced and agreed to application listing. No processing times were identified to be over 7 calendar days for Q3 2021 or Q1 2020.
D	Approve or request additional information necessary for making an underwriting decision on 98% of all applications requiring evidence of insurability within 7 calendar days after receipt of completed application	Traced and agreed to application summary report. No processing times above 7 calendar days were identified for Q3 2021 or Q1 2020.
E	Make final disposition of 95% of all evidence of insurability applications (with notification mailed to the applicant) within 7 calendar days after receipt of necessary information	Traced and agreed to application summary report. For Q3 2021, 0 claims, and for Q1 2020, 1 claim, were above the required 7 calendar days. The Q1 2020 amount did not surpass the 95% requirement.

Group Life Insurance Program Procedures and Results

Administrative Performance Standards (Cont.)

F	For new waiver of premium disability claims, request additional information for 99% of claims within 7 calendar days after receipt of claim	Traced and agreed to supporting waiver of premium claim listing. No processing times above 7 calendar days were identified for Q3 2021 or Q1 2020.
G	Make final disposition of 95% of new waiver of premium disability claims within 10 calendar days after receipt of necessary information	Traced and agreed to supporting waiver of premium claim listing. No disposition times above 10 calendar days were identified for Q3 2021 or Q1 2020.
H	Make final disposition of 95% of continuing waiver of premium disability claims within 10 calendar days after receipt of necessary information	Traced and agreed to supporting waiver of premium claim listing. No disposition times above 10 calendar days were identified for Q3 2021 or Q1 2020.
I	Include 95% of all Life to Health applications, amendments and cancellations received by the fifth day of a month in the remittance due on the twentieth day of the same month	Traced and agreed to supporting remittance file. All applications, amendments, and cancellations that were received by the fifth day of the month were included for Q3 2021 or Q1 2020.

In summary, Q3 of 2021 had 3 total exceptions out of the 10,378 services processed, resulting in an exception rate of 0.03%. In addition, Q1 of 2020 had 9 total exceptions out of the 7,144 services processed, resulting in an exception rate of 0.13%.

Group Insurance Board State of Wisconsin Department of Employee Trust Funds

Report of Selected Internal Controls, Policies and
Procedures for the Group Life Insurance Program

Years Ended December 31, 2021 and 2020



Executive Summary

November 10, 2022

State of Wisconsin – Department of Employee Trust Funds
Madison, Wisconsin

In accordance with our proposal dated November 28, 2018, and the contract dated April 29, 2019 and amended November 10, 2021, and based on discussions with the State of Wisconsin Department of Employee Trust Funds (ETF) management, we have completed procedures to summarize certain controls of the administration of the Group Life Insurance Program (GLIP) by Securian Financial Group on behalf of ETF. The objective of this engagement was to perform reviews of certain internal controls related to the GLIP and certain Securian policies. This engagement was not intended to be, and was not, considered an audit or fraud examination because of the restricted nature and limited scope of the procedures performed.

Overview

To achieve the objectives of this engagement, we completed interviews and discussions with key staff at Securian and ETF and reviewed existing controls and processes and risk documentation.

Results of our observations and recommendations relied on, and are dependent on, the completeness and accuracy of information provided by Securian and ETF without independent verification.

Reporting Results of Procedures

A summary of the results of the control procedures is included in the Objectives, Procedures and Results section of this report.

Distribution of this report by the specified parties to other third parties does not constitute designation of those third parties as “users” or “specified parties” with respect to this report or the matters addressed herein, nor does it permit those third parties to use or rely on this report for any purpose.

This engagement was performed in accordance with the Statement on Standards for Consulting Services as issued by the American Institute of Certified Public Accountants. This information is intended solely for the information and use of ETF in relation to the results of procedures performed pursuant to the proposal and contract. It is not intended to be, and should not be, reproduced, published, or distributed to anyone other than the specified party or for any other purpose without the prior written consent of Wipfli LLP (“Wipfli”).



Wipfli LLP

Review of Internal Controls, Policies and Procedures

Objectives, Procedures, and Results

Review of Internal Controls

Objectives

1. Obtain an understanding of the procedures and controls surrounding the program's processes in the following specific areas:
 - Enrollment and eligibility
 - Premium billing and collection
 - Life to Heath
 - Claims
 - Cancellation/Termination
 - Disability Premiums
2. Obtain an understanding of the periodic reports produced by Securian and determine how they are utilized as part of the monitoring and reporting processes.

Procedures

1. Discuss with appropriate personnel the flow of information within ETF, between ETF and Securian, and within Securian.
2. Obtain and examine related written policies and procedures.
3. Obtain and examine forms, documents, and transmittals used in the processes.
4. Obtain and examine SOC 1 report on internal controls and effectiveness for Securian Group Insurance business unit and relevant audit results.

Results

The appendix at page 8 summarizes the process flow for each area of interest.

We obtained SOC 1 reports for the Securian Group Insurance business unit for the periods July 1, 2019 to June 30, 2020 and July 1, 2020 to June 30, 2021, with a bridge letter covering from July 1, 2021 to December 31, 2021. The SOC 1 reports contained no relevant testing exceptions or control weaknesses considered to be significant.

Review of Internal Controls, Policies and Procedures

Objectives, Procedures, and Results

Review of Policies

Objectives

Obtain an understanding of the policies in place at Securian in the following specific areas:

- Affirmative action
- Privacy
- Disaster recovery and business continuation

Procedures

1. Discuss the policies with appropriate personnel.
2. Compare policies in place with requirements of the contract.

Results

We discussed Securian's affirmative action policies with Kjirsten Elsner, Account Executive and Madison Branch Office Manager. Securian maintains an affirmative action policy which is reviewed and certified by the State of Minnesota Human Rights Department (HRD) every four years. The policy contains accountability for all levels of the company and calls for internal quarterly, semiannual, and annual reporting at various levels of management. We observed the HRD certification effective for the four years beginning April 27, 2020. Accordingly, the Securian affirmative action policy is deemed compliant with the administrative contract.

We discussed Securian's privacy policies with Kjirsten Elsner. Securian management indicated that the Company's privacy policy is compliant with the federal Gramm-Leach-Bliley Act. As such, Securian has furnished proper notification of the privacy policy to the State of Wisconsin. Securian discloses information regarding customers only when a business need exists, subject to applicable oversight and conditions. The company further safeguards information through building security measures, computer access passwords, data leakage prevention programs, third-party internet penetration testing, employee training, and background checks. In addition, Kjirsten noted that the framework is reviewed on a regular basis, and changes are made to policies as appropriate in response to applicable laws and regulations, industry best practices, and business need. The Company is not a covered entity as defined by HIPAA for products and/or services provided to the State of Wisconsin.

We inquired of Securian whether or not there had been any unauthorized external intrusions into their system that resulted in any material data security breach from January 1, 2020 to December 31, 2021. Securian stated that they did not have an indication of any unauthorized external intrusions that resulted in material incidents involving the State of Wisconsin data during the relevant time.

The Securian privacy policies in place were deemed to be compliant with the administrative contract.

Review of Internal Controls, Policies and Procedures

Objectives, Procedures, and Results

Review of Policies (Cont.)

We discussed Securian's business continuation planning with Kjirsten Elsner. We examined Securian's Business Continuation Management (BCM) Summary. It identifies internal teams and contacts and extends to the company's business partners and the BCM's of service providers. The plan contains a framework for interim and recovery contingencies. Mainframe simulation, business process, distributed system, and tabletop exercises are held annually. There are 20-25 instances of these exercises performed annually. We obtained the BCM Summaries dated December 31, 2020 and 2021, which included exercise results for 2020-2021 that were consistent with the plan. Noted that all objectives were completed successfully. Accordingly, the Securian business continuation policies are deemed compliant with the administrative contract.

Review of Internal Controls, Policies and Procedures

Objectives, Procedures, and Results

Interest Crediting Reserves Calculation Review

Objectives

Obtain an understanding of how the interest crediting reserve is calculated.

Procedures

1. Discuss the policies and calculation with appropriate personnel.
2. Recalculate the formulas provided.
3. Compare calculation with requirements of the contract.

Results

Wipfli reviewed the administrative agreement which requires Securian to credit interest on the contingent liability reserve, the premium deposit fund, the stabilization reserve and the disability claim reserves in accordance with the investment year interest crediting method. Interest credits and charges on cash flow shall be calculated for each policy year. We discussed the interest crediting reserve calculation with Kjirsten Elsner, Account Executive and Madison Branch Office Manager. The interest is credited on the contingent liability reserve, the premium deposit fund, the stabilization reserve, and the disability claim reserves using the year interest crediting method, which is consistent with the administrative agreement. Wipfli observed Securian's interest crediting methodology. At the end of each year, Securian establishes a rate which represents the interest earned on the general account, less investment expenses. Separate interest rates are established for invested assets in each of the ten most recent calendar years, and a single interest rate is established for all assets originating ten years or more before the most recent calendar year.

We observed the interest crediting calculation, which is broken out by state-active, state-retiree, local-active, and local-retiree. All amounts used in the calculations, except the post-age 65 claims paid, were agreed to the 2020 and 2021 State of Wisconsin Financial Reports. The post-age 65 claims paid amount used in the calculation differed by approximately (\$392,000) or (1.77%) and \$223,000 or 1.75% for 2020 state and local retirees and \$241,000 or 1.05% and \$97,000 or 0.76% state and local retirees for 2021. This is due to the financial reporting balance including the change in pending claims from the prior year to the current year, while the interest crediting calculation considers the timing of claims paid. Ending interest crediting rate tied without exception.

Accordingly, the Securian interest crediting reserves are deemed compliant with the administrative contract.

Review of Internal Controls, Policies and Procedures

Objectives, Procedures, and Results

Policy Year Report

Objectives

Obtain an understanding of how the policy year reports are compiled.

Procedures

1. Discuss the policies and perform a walkthrough with appropriate personnel.
2. Trace and agree amounts reported in the Financial Experience sections to supporting documentation
3. Trace and agree reserve balances at December 31, 2021 and December 31, 2020 to supporting documentation
4. Compare processes in place with requirements of the contract.

Results

We discussed the policy year report compilation process with Kjirsten Elsner, Account Executive and Madison Branch Office Manager:

Development and issuance of policy year experience reports is handled by Securian's Experience Reporting Team. The reports are developed in compliance with agreed upon parameters and contractual provisions outlined in the policy, master services or administrative agreements. The data utilized is sourced via established reporting routines directly from the Company's administrative and claims platforms. Internal controls have been implemented by management to support and confirm the accuracy of these reports. The key controls over this process include:

- Status Monitoring:
Policies requiring annual policy year analysis and reporting are tracked and progress is actively monitored by management to ensure all reports are completed and completed timely.
- Quality Assurance Reviews:
Experience report calculations are reviewed for accuracy. The level of review is based upon the plan type and experience level of associate preparing report.

Securian's auditing department provides an independent appraisal function and leverages repeatable processes and procedures to review company controls, ensuring they are operating as intended. Internal audit analysis may include (but is not limited to) the following: QA processes, separation of duties, policies and procedures to guide operating activities, and information technology.

Review of Internal Controls, Policies and Procedures

Objectives, Procedures, and Results

Policy Year Report (Cont.)

Wipfli discussed the related audit procedures with Paul Casey, Audit Consulting Director. Securian has Experience Reporting related controls integrated into Minnesota Life's Model Audit Rule compliance program. This program is managed and run by the Controller Department. Management of Securian signed off on these controls as effective for both 2020 and 2021. The Minnesota Department of Commerce, the domicile state regulator, is the audience for the Model Audit Rule certification. The Department also routinely examines Securian's solvency and compliance with Model Audit Rule. The Department's most recent solvency examination was conducted covering the five-year period ending 12/31/2017 and the formal report was issued in 2019, with no findings noted as a result of this examination. Years 2020-2021 are currently under the next five-year cycle.

Internal Audit also routinely reviews the process and conducts verification steps surrounding the review, testing and certification of these controls and the program. There have been no significant audit findings during 2020-2021 related to the Company's Model Audit Rule Certification program.

We agreed certain data reported in the Financial Experience and Reserve Balances in the Policy Year Reports to supporting reports and documentation provided by Securian as follows:

- State of Wisconsin Financial Report 2021 and 2020 – page 15
 - Pre-Age 65 premiums were traced and agreed to the “Premium Without Aviation Split” report, which is included in the Wisconsin Premium Audit Report.
 - Total claim charges, excluding pool charges, were traced and agreed to supporting claim detail summary reports. Pool charges were traced and agreed to the annuitant pooling charge calculation, which is based on the life step rate table.
- State of Wisconsin Financial Report 2021 and 2020 – page 16
 - Premium deposit fund beginning balances were traced and agreed to the prior year report ending balance
 - Premium Deposit Fund – Contributions for active employees were traced and agreed to the “Premium Without Aviation Split” report. It was noted this report pulled amounts from the Wisconsin Premium Audit Reports
 - Post-age 65 death claims were traced and agreed to the listing of total claims incurred
- State of Wisconsin Financial Report 2021 and 2020 – page 43
 - Premium Pre-Age 65 contributions were traced and agreed to the Annuitant Pooling Charge Calculation report.
 - Total claim charges, excluding pool charges, were traced and agreed to supporting claim detail summary reports. Pool charges were traced and agreed to the annuitant pooling charge calculation, which is based on the life step rate table.
- State of Wisconsin Financial Report 2021 and 2020 – page 44
 - Premium deposit fund beginning balances were traced and agreed to the prior year report ending balance
 - Contributions for active employees were traced and agreed to the Wisconsin Premium Audit Report.
 - Contingent liability reserve beginning balances were traced and agreed to the prior year report ending balance
 - Post-age 65 death claims were traced and agreed to the listing of total claims incurred

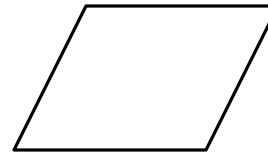
We identified no exceptions in our testing related to Securian's compliance with the administrative agreement as it relates to compiling the Policy Year Report.

Appendix

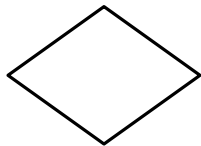
**Wisconsin Department of Employee Trust Funds
Group Life Insurance Program
Flow Chart Symbols**



Manual Process



Electronic Data



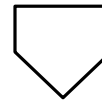
Decision Point



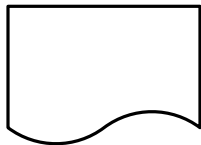
Cross reference to form
attached to flowcharts



Electronic Process



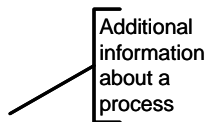
Connector to other chart



Paper Document

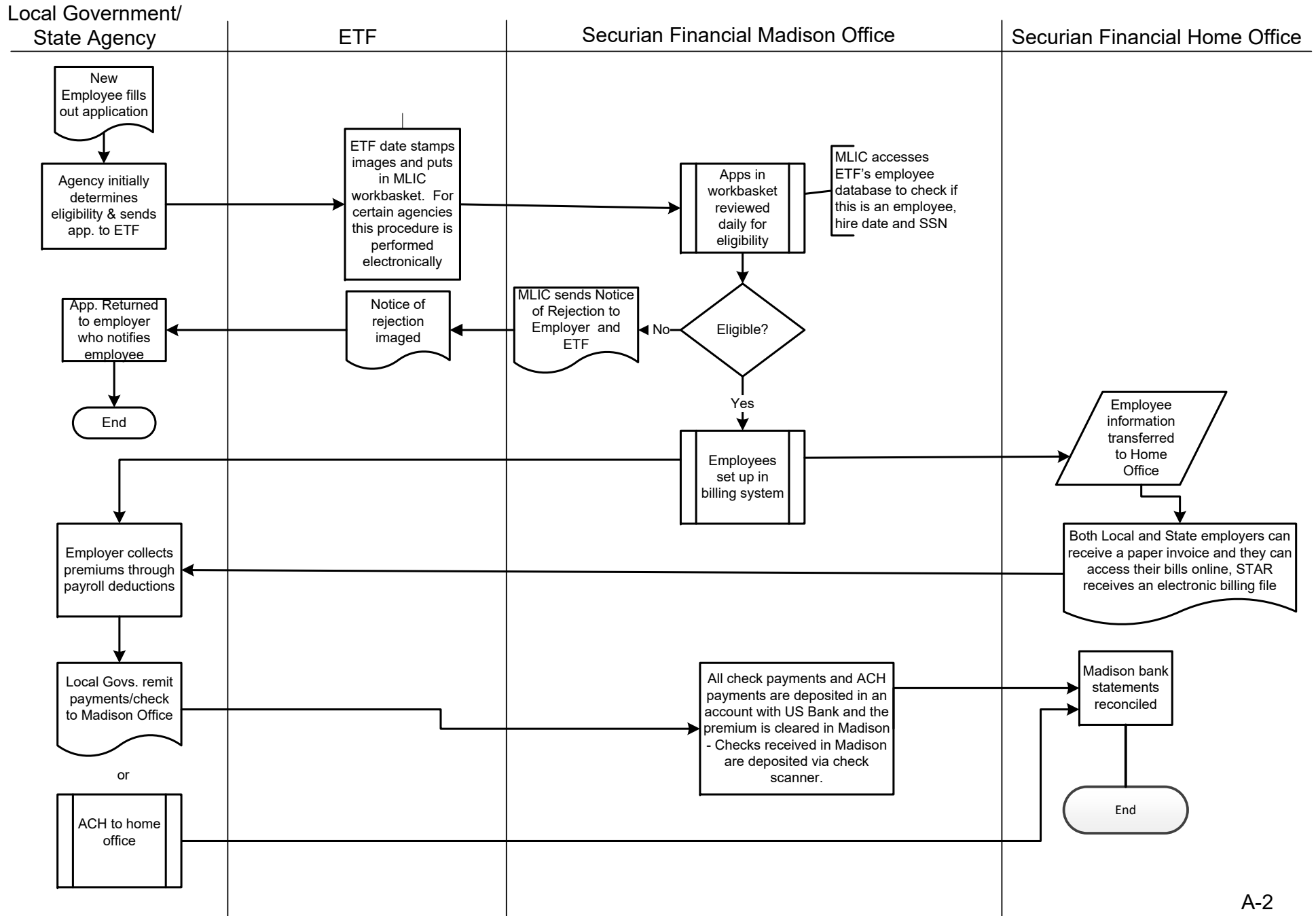


End of Process



Process Annotation

Wisconsin Department of Employee Trust Funds Group Life Insurance Program - Enrollment and Billing



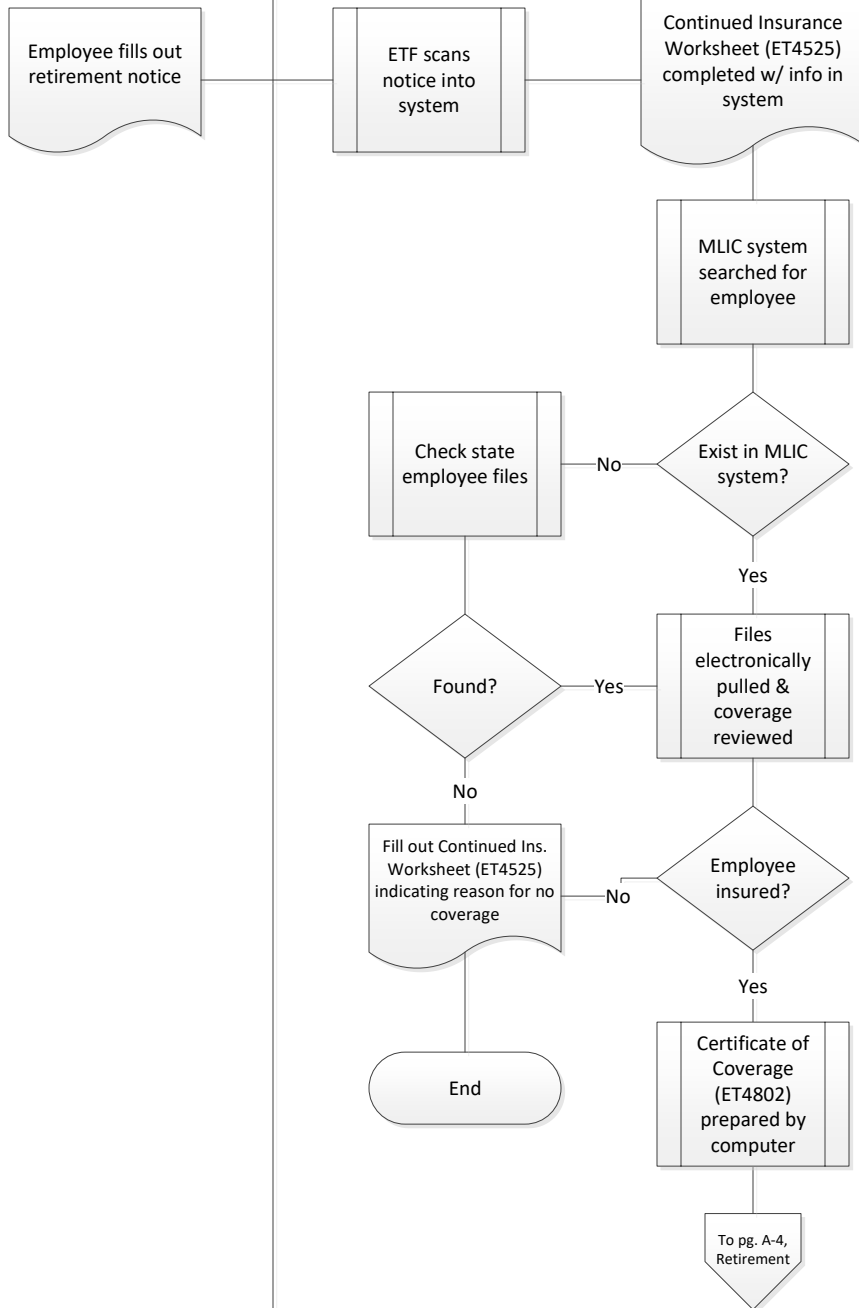
Wisconsin Department of Employee Trust Funds Group Life Insurance Program - Retirement

Local Government/
State Agency

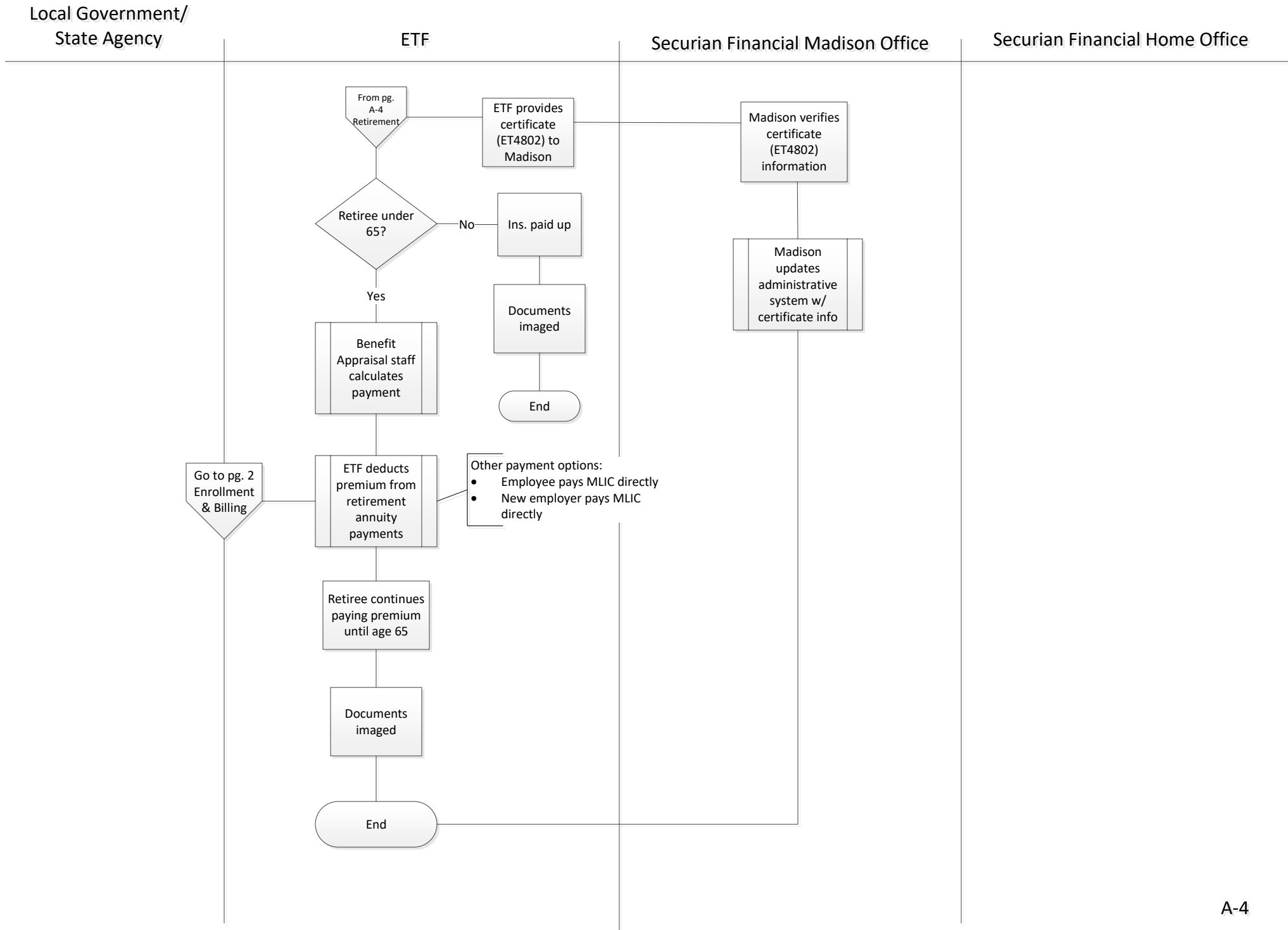
ETF

Securian Financial Madison Office

Securian Financial Home
Office

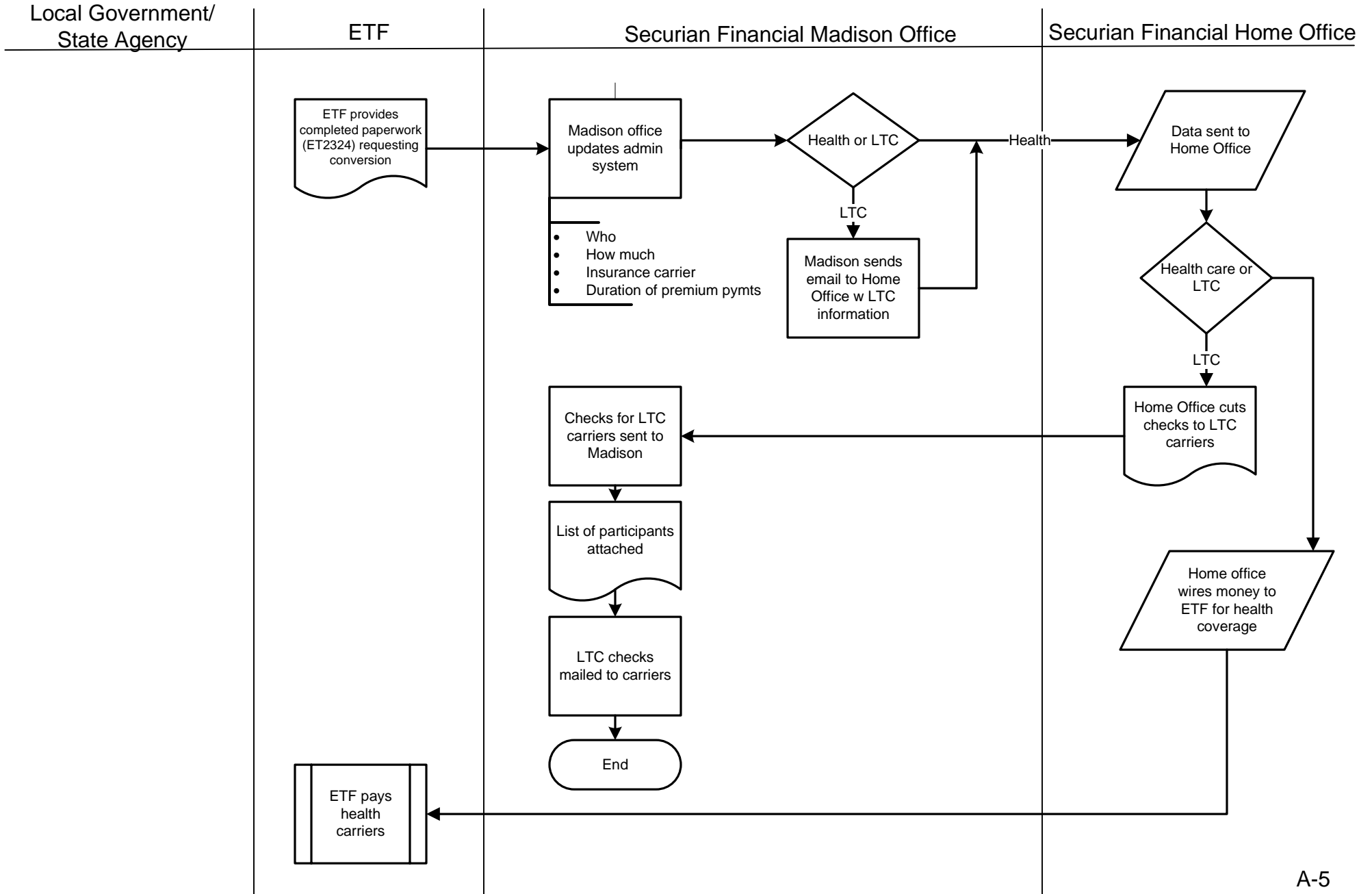


Wisconsin Department of Employee Trust Funds Group Life Insurance Program - Retirement

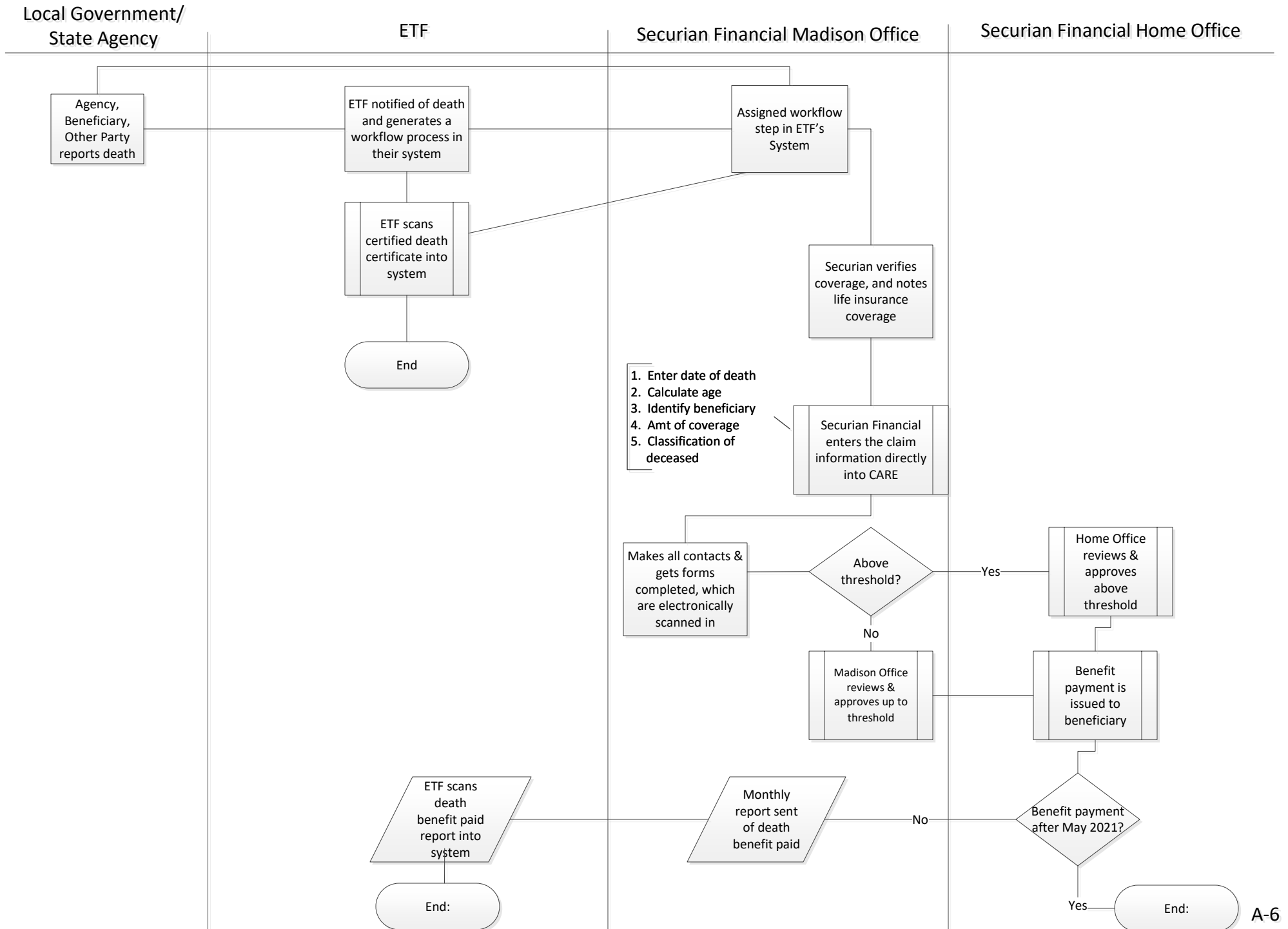


Wisconsin Department of Employee Trust Funds Group Life Insurance Program - Retirement and Death

Note: At age 66 (67 for local governments), a participant can convert the present value of a life insurance policy to pay health and long term care insurance premiums



Wisconsin Department of Employee Trust Funds Group Life Insurance Program - Death Claims



Wisconsin Department of Employee Trust Funds Group Life Insurance Program – Evidence of Insurability

