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Correspondence Memorandum

Date: January 8, 2021

To: Group Insurance Board

From: Tom Rasmussen, Life Insurance/Dental Program Manager
 Office of Strategic Health Policy

Subject: Contract Compliance Audit Results of the Wisconsin Public Employers
 (WPE) Group Life Insurance Program for the Plan Years 2018-2019.

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

Background

Employee Trust Funds (ETF) retained Wipfli LLP (Wipfli) to conduct the biennial audit of the third-party administration for the WPE Group Life Insurance Program. Attached are audit reports prepared by Wipfli for plan years 2018 and 2019.

ETF asked Wipfli to determine if Securian Financial Group (Securian) has sound business practices, sufficient internal controls, and is administering the program in compliance with the administrative service contract, rules, and plan language.

The reports separate the internal control 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 Group Life Insurance Program. The audit is based on the agree upon procedures as set forth in the contract dated April 29, 2019 between ETF and Wipfli. Certain other specific procedures, including the determination of sample sizes and error definitions were discussed with Wipfli and ETF staff representing the Office of Strategic Health Policy, Division of Trust Finance, Office of Internal Audit, and Bureau of Budget, Contract Administration and Procurement in advance of the audit.

Audit Findings

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

- Evidence of Insurability Coverage Declinations and Approvals: 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 examined the timeliness of

Reviewed and approved by Eileen K Mallow, Director, Office of Strategic Health Policy

Eileen K Mallow Electronically Signed 2/3/21

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Securian approving or requesting additional information, if deemed necessary, for making a final disposition regarding evidence of insurability applications as outlined in the performance standards.

Finding: Wipfli inspected 25 randomly selected files from the 1,721 evidence of insurability applications submitted during the 2018 – 2019 period. The Administrative Agreement requires that 99% of all applications requiring additional information be requested within seven calendar days after the receipt of the completed application. The Administrative Agreement also requires 95% of final dispositions be mailed within seven calendar days after receipt of all necessary information. Processing time for all items selected fell within the required standards and no exceptions were found for files lacking appropriate documentation.

- Claims Testing: ETF asked Wipfli to ensure that Securian pay 95% of all death and dismemberment claims within 10 calendar days after receipt of all necessary proof as specified in the Administrative Agreement. 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, earning, and age.

Finding: Wipfli examined 60 randomly selected files out of the 11,131 claims paid during the 2018 – 2019 period. No exceptions were found in the sample files. The processing time for all items selected fell within the required standards.

- Eligibility and Premium Testing: ETF asked that Wipfli examine participant applications to verify the coverage effective date and premiums began in the same period, and premiums being correctly calculated according to age, State vs. Local, and active vs. retiree and pre-age 65 retiree status.

Finding: Wipfli randomly selected 25 of the 22,780 applicants who enrolled and/or had status changes during the 2018 – 2019 period. No exceptions were found as a result of the examination. The Administrative Agreement requires 99% of all eligible applications be approved or denied within seven calendar days following receipt of a completed application. The processing time for all selected records fell within the required standard.

- Retirement Processing: Participants who retire prior to age 65 may continue their coverage by paying premiums directly to Securian, or as a deduction from their annuity. Participants who retire after age 65 may continue their basic coverage at a reduced coverage level with no further premiums. ETF asked Wipfli to examine Securian's method of processing retirement notifications to ensure there were no discrepancies between the retirement dates noted in the documentation and the dates per the Securian system.

Finding: Wipfli examined 25 randomly selected files out of the 8,157 newly retired during the 2018 – 2019 period. For each participant, they inspected the retirement date and compared it to the Securian database. There were no exceptions noted between the retirement dates per the required documentation and the retirement date per Securian system.

- Disability Premium Waivers: Participants who are actively employed and become totally disabled may receive continued coverage that requires no premiums. ETF asked Wipfli to verify the Disability Premium Waiver claims related performance standards as specified in the Administrative Agreement as well as ensuring appropriate documentation and adjudication timeliness is being met.

Finding: Wipfli obtained documentation of the process for disability premium waivers under the plan and reviewed 25 randomly selected files of the 11,565 waivers of premiums during the 2018 – 2019 period. For all files selected, documentation, denials, and determinations were consistent with policies established by Securian. The Administrative Agreement requires that 99% of new waiver of premium disability claims request additional information within seven calendar days after the receipt of the claim and 95% of disability claims to be adjudicated within 10 days of proof of being received. The processing time for all item selected fell within the required standards.

- 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 as well as obtaining an understanding of how the policy year reports are compiled.

Findings: Wipfli examined Securian's System and Organizations Controls (SOC) one report from the appropriate timeframes and identified some testing exceptions, but none that modified its opinion regarding Securian's controls.

Wipfli also examined the policies in place at Securian in the areas of Affirmative Action, privacy, disaster recovery, and business continuation. In all these areas, the policies in place were deemed to be compliant with the Administrative Agreement.

Wipfli reviewed the process and reviewed the Administrative Agreement that 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 are required to be calculated for each policy year. Wipfli observed and deemed the interest crediting reserves to be compliant with the Administrative Agreement.

Wipfli reviewed Securian's processes in place of compiling policy year report as outlined in the policy, master services and administrative agreements. Wipfli identified no exceptions in its testing related to Securian's compliance with the Administrative Agreement as it relates to compiling the Policy Year Report.

No significant exceptions were identified, and no recommendations were made by Wipfli as a result of the audit. Copies of the audit reports are included.

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

Attachment A: Internal Controls Policies and Procedures Review Report 2018-2019
Attachment B: Report on Applying Agreed Upon Procedures 2018-2019

Executive Summary

January 6, 2021

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 based on discussions with the State of Wisconsin Department of Employee Trust Funds (ETF) management, we have completed procedures to evaluate the effectiveness of certain controls of the administration of the Group Life Insurance Program (GLIP) by Minnesota Life Insurance Company (MLIC) on behalf of ETF. The objective of this engagement was to perform reviews of certain internal controls related to the GLIP and certain MLIC 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 MLIC 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 MLIC 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 MLIC and ETF in relation to the results of procedures performed pursuant to the engagement letter. It is not intended to be, and should not be, reproduced, published, or distributed to anyone other than these specified parties or for any other purpose without the prior written consent of Wipfli LLP (“Wipfli”).

We look forward to our continued association and appreciate the opportunity to be of service. Please do not hesitate to contact Wipfli if you have any questions or concerns regarding information contained in the accompanying report.

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
 - Retirement
 - Claims
 - Cancellation/Termination
 - Disability Premiums
2. Obtain an understanding of the periodic reports produced by MLIC 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 MLIC, and within MLIC.
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 MLIC 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 MLIC Group Insurance business unit for the periods July 1, 2017 to June 30, 2018 and July 1, 2018 to June 30, 2019, with a bridge letter covering from July 1, 2019 to December 31, 2019. The SOC 1 reports contained no relevant testing exceptions or control weaknesses, except as follows:

Review of Internal Controls, Policies and Procedures

Objectives, Procedures, and Results

Review of Internal Controls (Cont.)

The SOC 1 report covering July 1, 2017 to June 30, 2018, indicated the following relevant testing exceptions:

- Evidence of on-demand check reconciliations was not retained for 2 out of 15 selected dates. MLIC management indicated the reports were printed but not retained.
- No documentation was noted in the claim file explaining denied coverages to the beneficiary for 1 out of 25 selected claims. MLIC management indicated that the claim noted in this finding was adjudicated accurately. The claim noted included a review and examination of multiple types of coverage (basic and supplemental life and accidental death). The basic and supplemental life coverages were approved and paid. The accidental death coverage was not applicable to the circumstances presented by the claim and the decision not to pay accidental death benefit was correct and the claim system updated properly. The Company has reinforced the requirements to communicate resolution on all coverages within a submitted claim with applicable associates.

The SOC 1 report covering July 1, 2018 to June 30, 2019, indicated the following relevant testing exceptions:

- Privileged access to the central control system was inappropriately assigned for one out of all applicable users. MLIC management indicated that the access was removed and confirmed the user had not performed any administrative activities. In addition, MLIC management implemented a new policy to review the administrative access semi-annually.

The service auditor did not modify its opinion regarding MLIC's controls as a result of these exceptions.

Review of Internal Controls, Policies and Procedures

Objectives, Procedures, and Results

Review of Policies

Objectives

Obtain an understanding of the policies in place at MLIC 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 MLIC's affirmative action policies with Kjirsten Elsner, Account Executive and Madison Branch Office Manager. MLIC 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 December 3, 2015, and a separate certification effective for the four years beginning April 27, 2020. Accordingly, the MLIC affirmative action policy is deemed compliant with the administrative contract.

We discussed MLIC's privacy policies with Kjirsten Elsner. MLIC management indicated that the Company's privacy policy is compliant with the federal Gramm-Leach-Bliley Act. As such, MLIC has furnished proper notification of the privacy policy to the State of Wisconsin. MLIC 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. The Company is not a covered entity as defined by HIPAA for products and/or services provided to the State of Wisconsin.

Per our inquiry of MLIC and ETF no instances of security breaches were noted to have been brought to the attention of ETF and MLIC. Accordingly, the MLIC privacy policies are deemed compliant with the administrative contract.

We discussed MLIC's business continuation planning with Kjirsten Elsner. We examined MLIC'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, 2018 and 2019, which included exercise results for 2018-2019 that were consistent with the plan. Accordingly, the MLIC 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 MLIC 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 MLIC's interest crediting methodology. At the end of each year, MLIC 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-retire. All amounts used in the calculations, except the post-age 65 claims paid, were agreed to the 2018 and 2019 State of Wisconsin Financial Reports. The post-age 65 claims paid amount used in the calculation differed by approximately (\$100,000) or 0.60% and (\$167,000) or 1.70% for 2018 state and local retirees and \$4,000 or 0.02% and \$187,000 or 1.70% state and local retirees for 2019. 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 MLIC 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, 2019 and December 31, 2018 to supporting documentation
4. Confirm the transfer between Active and Retiree Premium Deposit Funds occurred on November 12, 2019.
5. 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 MLIC'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.

MLIC'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. MLIC 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 MLIC signed off on these controls as effective for both 2017 and 2018. The Minnesota Department of Commerce, the domicile state regulator, is the audience for the Model Audit Rule certification. The Department also routinely examines MLIC'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 2018-2019 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 2018-2019 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 2019 and 2018 – page 15
 - Pre-Age 65 premiums were traced and agreed to the “Premium Without Aviation Split” report. It was noted this report pulled amounts from Synergy.
 - 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 2019 and 2018 – 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 2019 and 2018 – page 43
 - Premium Pre-Age 65 contributions were traced and agreed to the “Annuitant Interest on Cash Premium” 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 2019 and 2018 – page 44
 - Premium deposit fund beginning balances were traced and agreed to the prior year report ending balance
 - 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

In addition, we agreed the amount reported as transfer out per the Active Fund to the amount reported as a transfer in per the Retiree Premium Deposit fund.

Review of Internal Controls, Policies and Procedures

Objectives, Procedures, and Results

Policy Year Report (Cont.)

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

Appendix

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, which were agreed to by the State of Wisconsin - Department of Employee Trust Funds (the specified party), on the Third-Party Administration for the Group Life Insurance Program for the years ended December 31, 2018 and 2019. Minnesota Life Insurance Company'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 sufficiency of these procedures is solely the responsibility of the State of Wisconsin – Department of Employee Trust Funds. Consequently, we make no representation regarding the sufficiency of the procedures described in the following report, either for the purpose for which this report has been requested, or for any other purpose.

Our procedures and findings are described in the following report.

This agreed-upon procedures engagement was conducted 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 the Third-Party Administrator'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.

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.

Wipfli LLP

January 6, 2021
Madison, Wisconsin

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. Certain other specific procedures, including the determination of sample sizes and error definitions, were discussed with State of Wisconsin - Department of Employee Trust Funds (ETF) personnel in advance of performance.

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 Minnesota Life Insurance Company (MLIC), who also acts as insurer. Under the administrative agreement between the Group Insurance Board (GIB) and MLIC, MLIC 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 Examinations

The GLIP was last tested for compliance for the period of January 1, 2015, through December 31, 2017.

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 MLIC and ETF. Our procedures were applied to the 2018 and 2019 plan years.

D. MLIC Response

MLIC has been given an opportunity to review the report and expressed no concerns or exceptions.

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, MLIC 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 MLIC during the 2018-2019 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 (13 from 2019 and 12 from 2018) of the 310 declined and 1,411 approved during the 2018-2019 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. No exceptions were found as a result of applying the procedures.

The Administrative Agreement requires 99% 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. The processing times for all items selected fell within the required standards.

Group Life Insurance Program Procedures and Results

Claims Testing

Generally, ETF is contacted at the time of an insured member's death. ETF notifies MLIC and the appropriate forms are forwarded to the beneficiaries. Upon submission of the claim request form and supporting documentation, MLIC 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 MLIC during the 2018-2019 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 2019 and 30 from 2018) of the 11,131 claims paid during the 2018-2019 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 MLIC, 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. The processing times for all items selected fell within the required standards.

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 2018-2019 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 (13 from 2019 and 12 from 2018) of the 22,780 local and state applicants who enrolled and/or had status changes during the 2018-2019 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

Retirement Processing

Participants who retire prior to age 65 may continue their coverage by remitting premiums directly to MLIC or as a deduction from their retirement annuity. Participants who retire after age 65 may continue their basic life insurance at a reduced coverage level with no further premiums due.

Procedures

1. Discussed the policies with appropriate personnel.
2. Obtained an electronic data file containing retirements processed during the 2018-2019 period.
3. Selected a sample of 25 newly retired participants and inspected retirement documentation.
4. Compared retirement dates per the MLIC system to the ETF system.

Results

We documented the process for retirement processing under the plan. We obtained a data file containing all new retirements and randomly selected 25 (13 from 2019 and 12 from 2018) of the 8,157 newly retired during the 2018-2019 period. For each participant, we inspected the retirement date and compared it to the MLIC database. When an employee retires and it is put into the ETF system, MLIC is notified and the premium switches from being taken out of a paycheck to being taken out of the retirement annuity. As such, there is no change in premium, or change in coverage.

There were no exceptions noted between the retirement dates per the required documentation and the retirement dates per the MLIC system. No exceptions were found as a result of applying the procedures.

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 2018-2019 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 (13 from 2019 and 12 from 2018) of the 11,565 waiver of premiums during the 2018-2019 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 MLIC.

We inquired with Kjirsten Elsner of the process of medical condition follow-up. MLIC 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 request additional information within 7 calendar days after the receipt of claim and 95% of disability claims to be adjudicated within 10 days of proof being received. The processing times for all items selected fell within the required standards.

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 2018-2019 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 (13 from 2019 and 12 from 2018) of the 15,822 cancellations and terminations during the 2018-2019 period.

For each participant, we inspected the cancellation date and compared it to the MLIC database. There were no exceptions noted between the cancellation dates per the required documentation and the cancellation dates per the MLIC system. In addition, all cancellation/termination reasonings were consistent with requirements of the ETF contract.

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 September 2018 and July 2019, and all premiums collected during August 2018 and May 2019.
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 September 2018 and July 2019, and all premiums collected during August 2018 and May 2019, and randomly selected a sample of 7 billed during July 2019, 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. We agreed the rates to the outlined rate table per the Administrative Agreement. 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. No exceptions were found when comparing the coverage effective date to the date the premiums began, all were noted to be in the same period.

Group Life Insurance Program Procedures and Results

Administrative Performance Standards

The Administrative Agreement between the ETF and MLIC requires MLIC 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 the Department during 2018-2019.
3. Selected all service levels from one quarter of each year from 2018-2019 and agreed to underlying detail.
4. Compared process, reports, and results of sampled detail with requirements of the ETF contract.

Results

Quarter 2 of 2018 and Quarter 3 of 2019 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 2019 14 claims and for 2018 2 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. Nothing above 7 calendar days was identified for 2019 or 2018. |
| 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 2019 or 2018. |
| 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 2019 or 2018. |
| 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. No final disposition times above 7 calendar days were identified for 2019 or 2018. |

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 2019 or 2018. |
| 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 2019 or 2018. |
| 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 2019 or 2018. |
| 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 2019 or 2018. |

Section III – Group Life Insurance Program Comments and Recommendations

Comments and Recommendations

1. There were no exceptions identified. Accordingly, we have no recommendations.