

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



WIPFLI

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

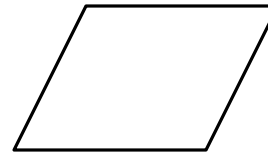
We identified no exceptions in our testing related to Securian's compliance with the administrative agreement as it relates to compiling the Policy Year Report.

Appendix

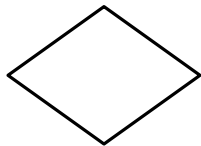
**Wisconsin Department of Employee Trust Funds
Group Life Insurance Program
Flow Chart Symbols**



Manual Process



Electronic Data



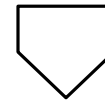
Decision Point



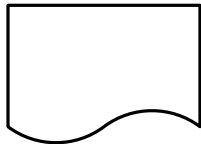
Cross reference to form
attached to flowcharts



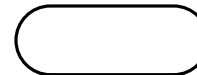
Electronic Process



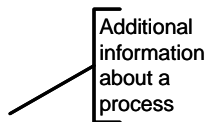
Connector to other chart



Paper Document

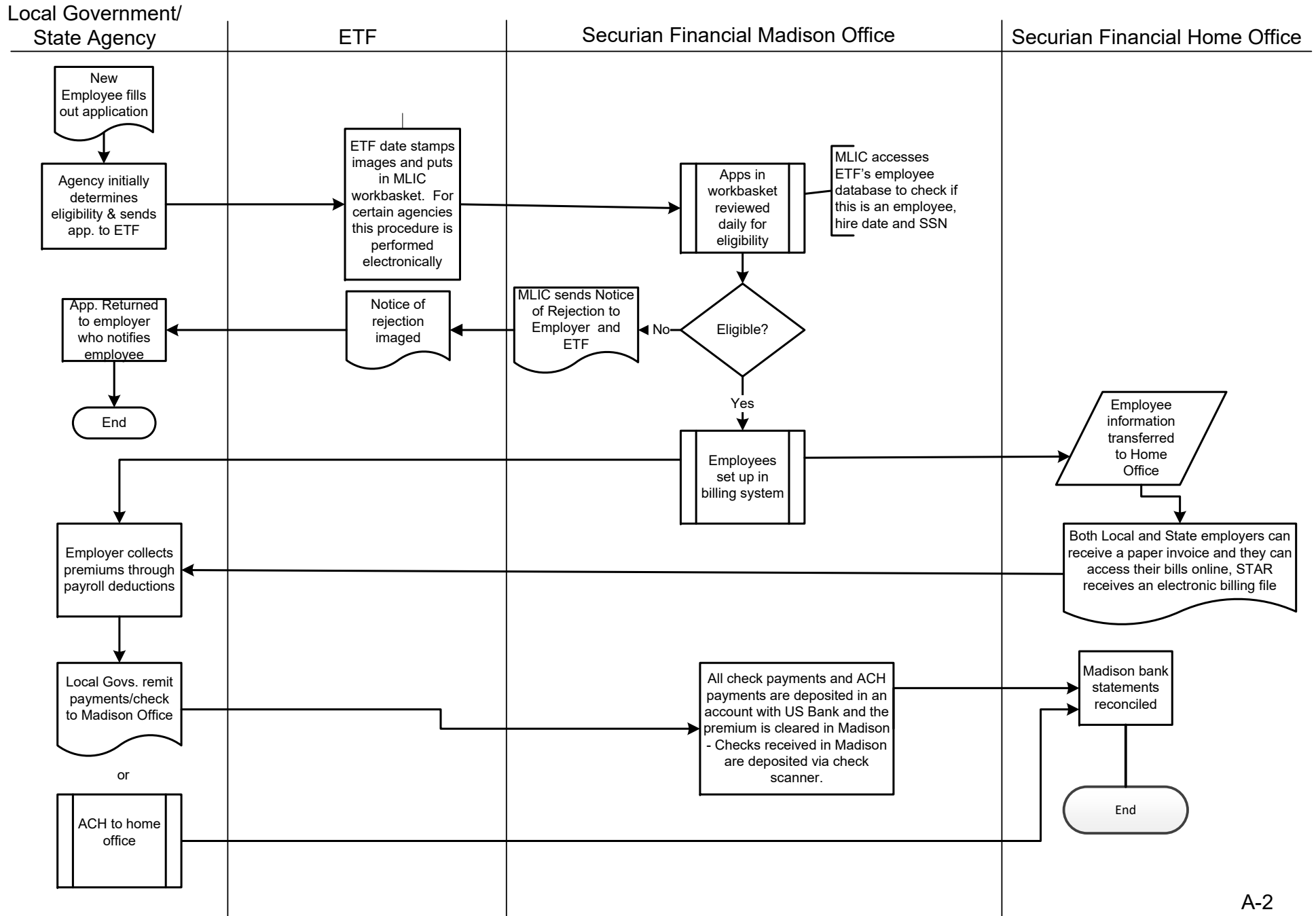


End of Process



Process Annotation

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



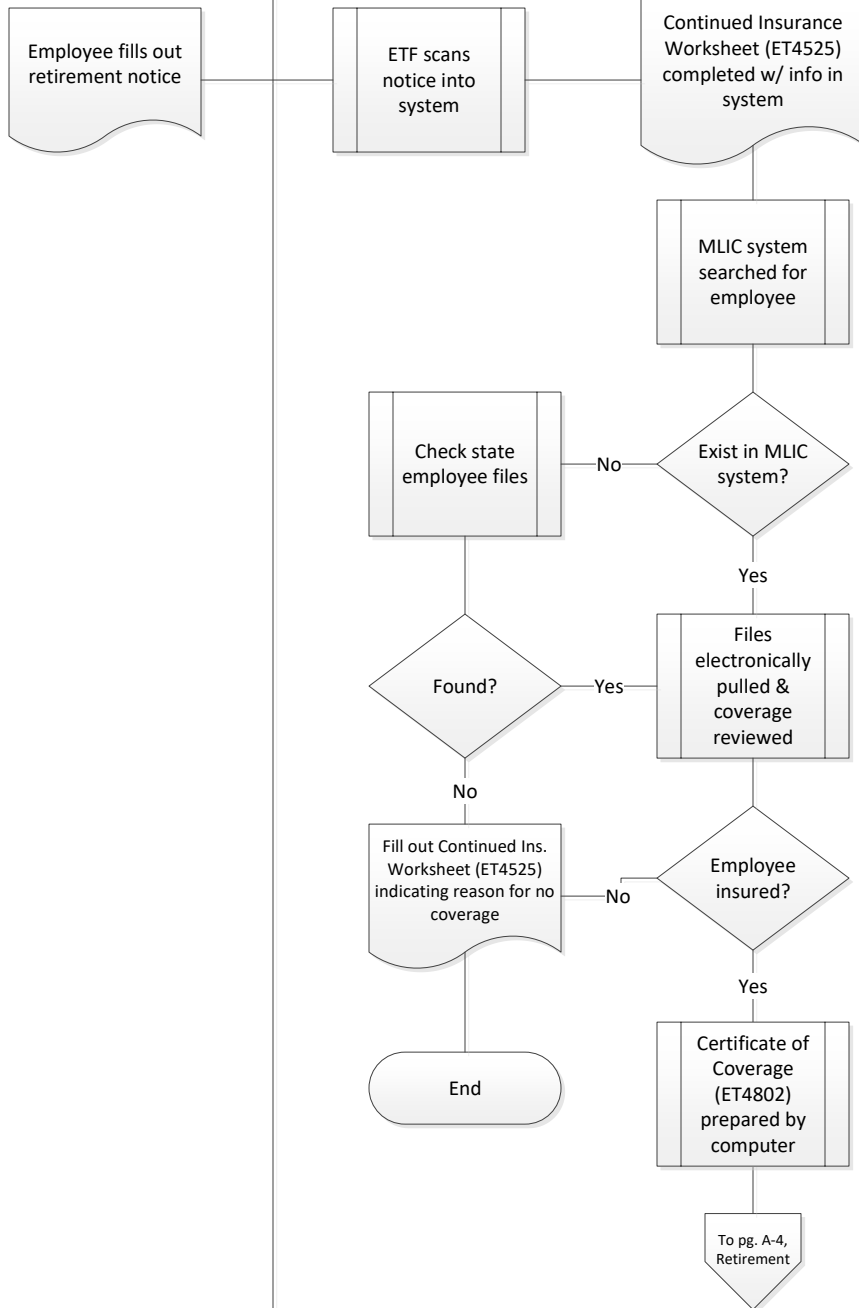
Wisconsin Department of Employee Trust Funds Group Life Insurance Program - Retirement

Local Government/
State Agency

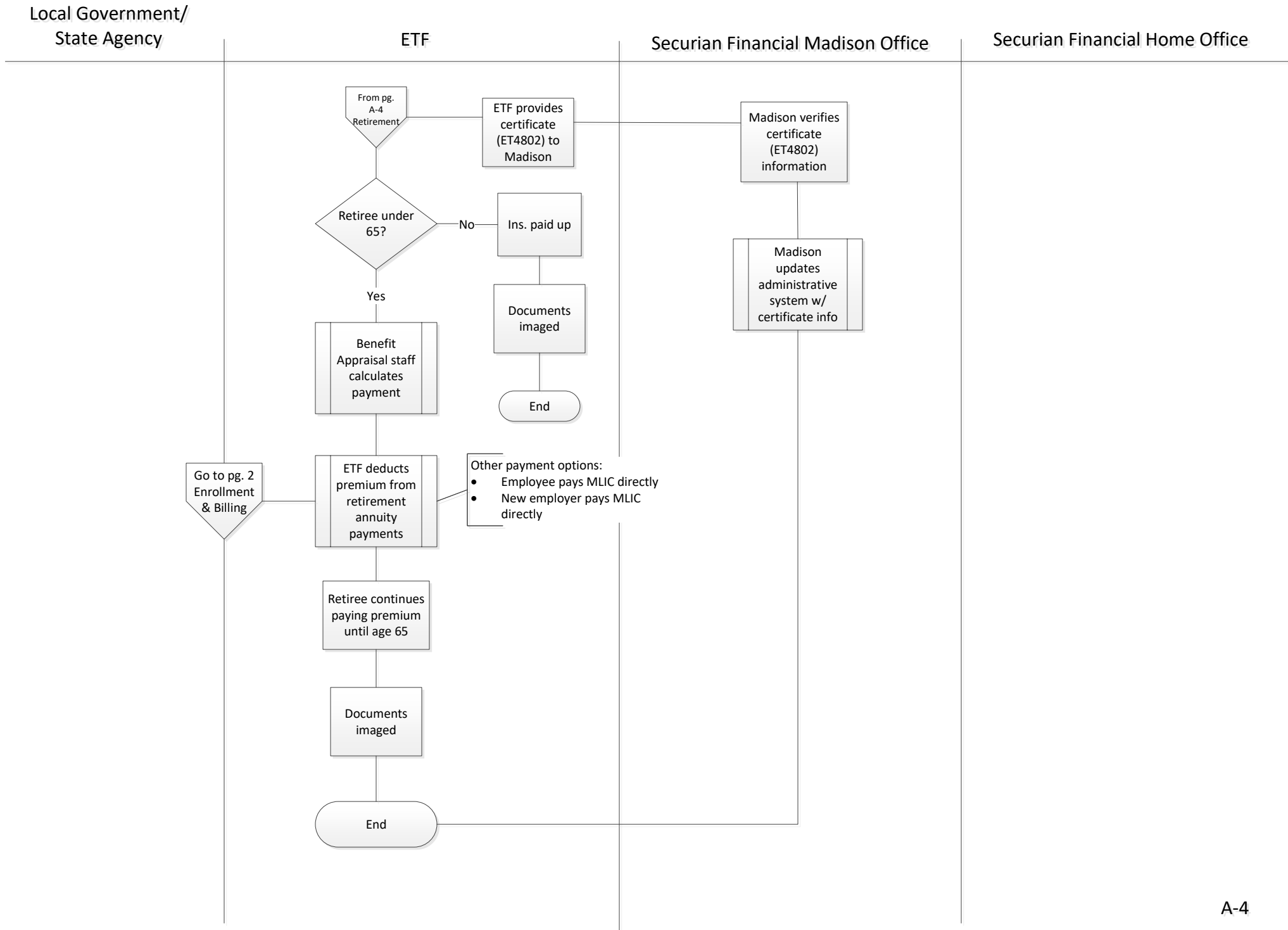
ETF

Securian Financial Madison Office

Securian Financial Home
Office

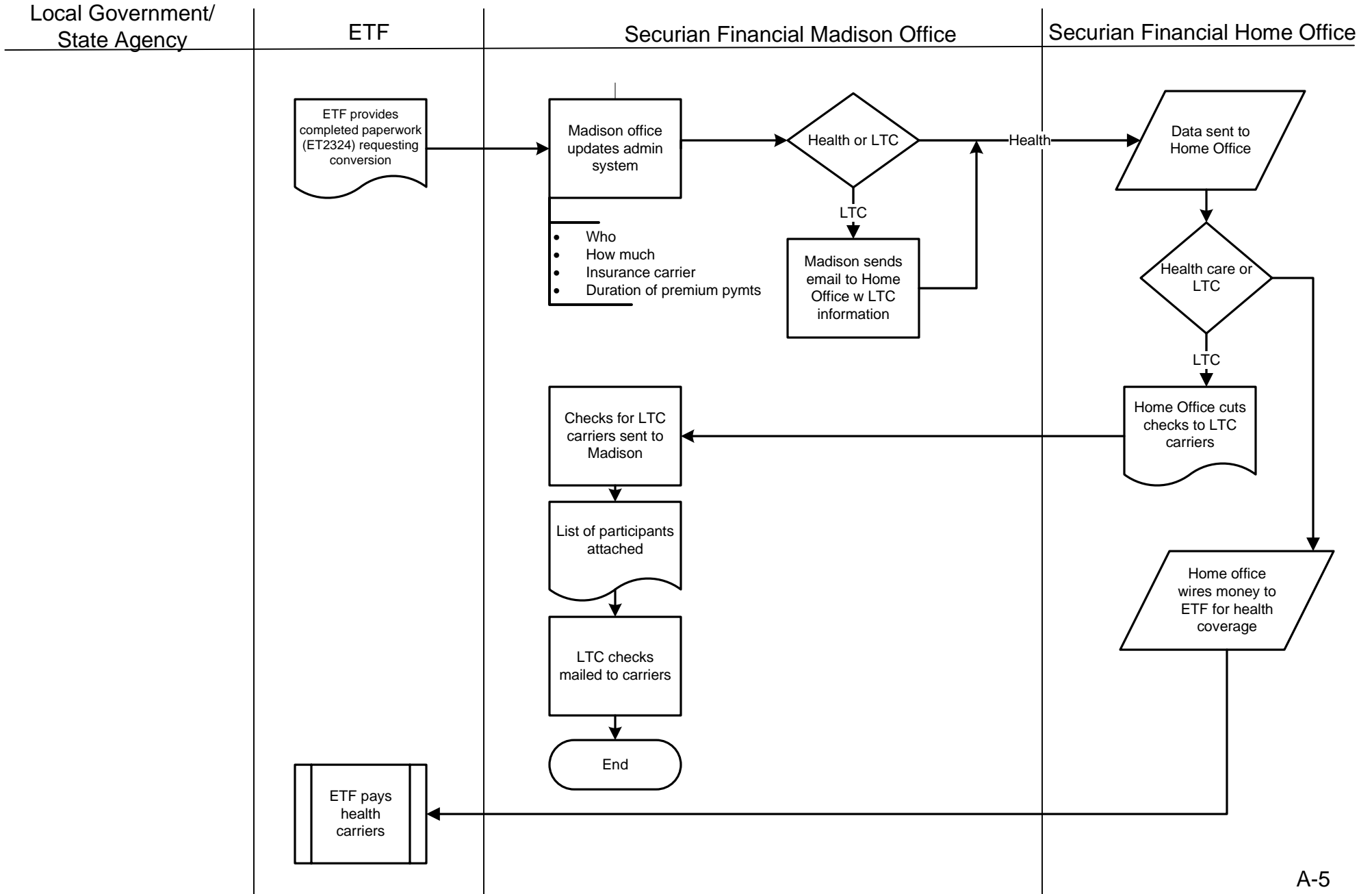


Wisconsin Department of Employee Trust Funds Group Life Insurance Program - Retirement

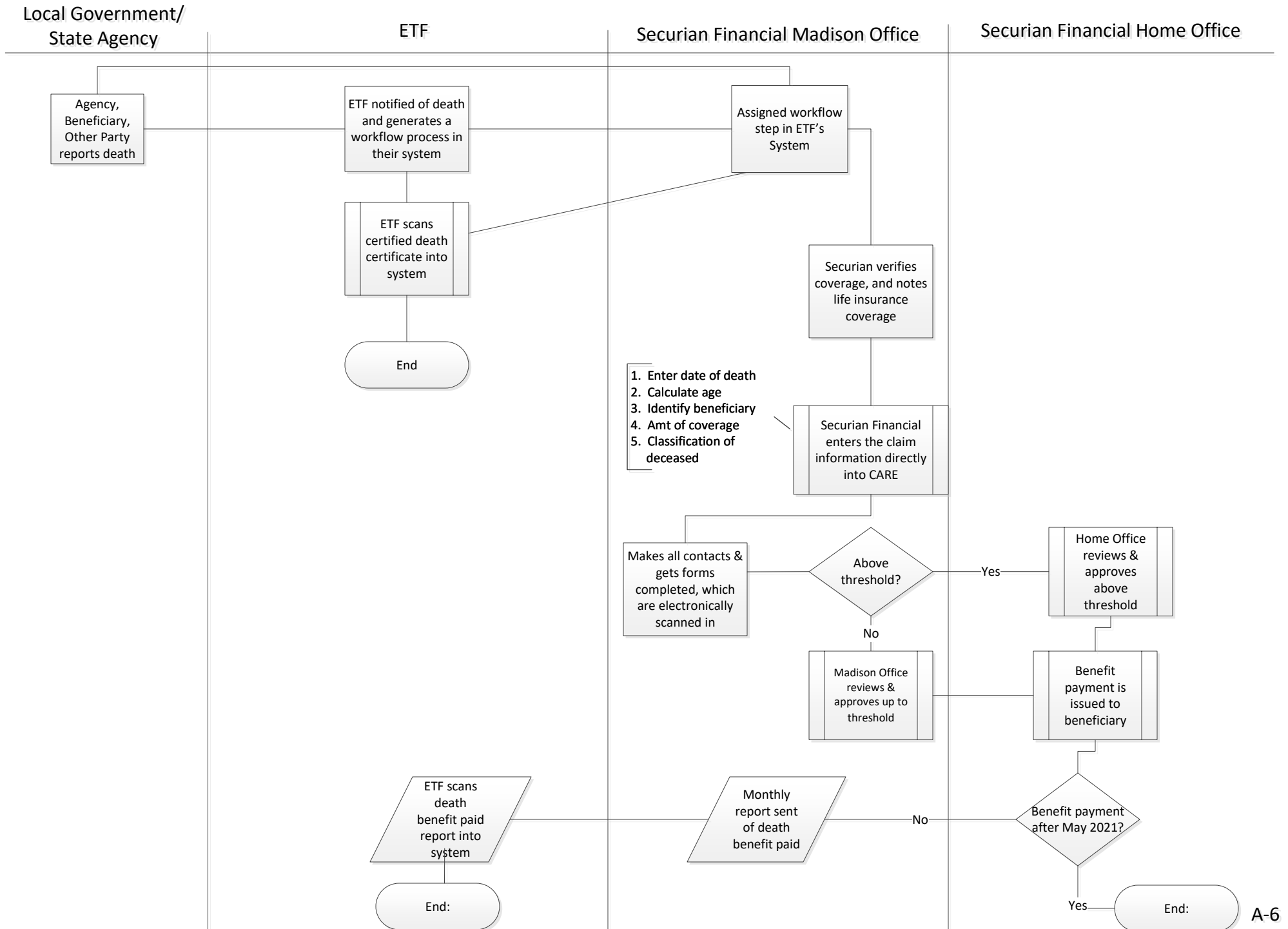


Wisconsin Department of Employee Trust Funds Group Life Insurance Program - Retirement and Death

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

