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Correspondence Memorandum

Date: January 17, 2025

To: Group Insurance Board

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

Subject: Contract Compliance Audit Results of the Wisconsin Public Employers
 Group Life Insurance Program for the Plan Years 2022–2023

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 ET10047 (Contract), between ETF and Securian Financial Group (Securian) for Third Party Administration of the Wisconsin Public Employers (WPE) Group Life Insurance Program (GLIP). 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 GLIP.

Attached are audit reports prepared by Wipfli for plan years 2022 and 2023. 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 GLIP. The audit was based on agreed-upon procedures outlined in the contract between ETF and Wipfli, or as otherwise discussed by ETF and Wipfli in advance of the audit.

For all exceptions that were noted in the audit findings, ETF requested Securian to provide a written explanation of how the exception occurred and to report on any resulting process change to reduce the risk of a similar occurrence happening in the future. Securian’s responses are included in this memo.

Reviewed and approved by Renee Walk, Director, Office of Strategic Health Policy
 Electronically Signed 01/27/2025

Board	Mtg Date	Item #
GIB	02.26.25	3A

Evidence of Insurability Coverage Declinations and Approvals

The Contract 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 Contract 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 reaching final dispositions.

Wipfli reviewed 30 randomly selected files from the 1,619 evidence of insurability applications submitted during the 2022–2023 period.

Findings

There was one exception identified. The exception involved a claim that Securian processed without receiving and reviewing the required medical information.

Securian's response is as follows:

The identified exception involved human error. The outcome of the approval would have been the same following the receipt of the requested medical record information, but the approval was completed incorrectly, before the requested medical record information was received. Our medical underwriting team was made aware of the error and provided coaching to the team.

Claims Testing

The Contract requires 95% of claims 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 5,251 claims paid during the 2022–2023 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

For one claim, Wipfli identified a difference in the interest calculated and paid. The interest was calculated using the date the claim was submitted for payment (March 9, 2023) as opposed to the date the claim was paid (March 10, 2023). The resulting difference in interest was \$3.48.

Wipfli also identified five claims paid in 2022 and three claims paid in 2023 that were classified as annuity overpayments. Each overpayment was not able to be recovered;

therefore, it was deducted from the benefit as a payment to ETF. No interest was paid on the overpayment; instead, it was applied to the other beneficiaries.

Wipfli identified three claims that exceeded the 10-day requirement (14, 14, and 17 days) to pay out the claims.

Wipfli also identified three claims that exceeded the 7-day requirement (9, 12, 42 days) for all initial requests for additional information to be mailed.

Securian's response is as follows:

We agree with the audit findings. The 10-day and 7-day requirements referenced in the summary refer to the claim's performance guarantees, which require that 99% of all initial requests for information for death and dismemberment claims be mailed within 7 calendar days of receipt of notice and that 95% of all death and dismemberment claims be paid within 10 calendar days after receipt of all necessary proof. These performance guarantees do not require that 100% of the items be processed within 7 days or 10 days, instead that we complete 99% or 95% within those time periods.

For the claim from 2022 where a beneficiary was paid before the beneficiary statement was received, this was the result of human error, and the claims associate was provided coaching on the error. The correct beneficiary was paid, and the correct documentation was received, but a portion of the claim was paid before the required documentation was received.

Eligibility and Premium Testing

The Contract 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, active vs. retiree, and pre-age 65 retiree status. Wipfli randomly selected 30 of the 26,593 applicants who enrolled and/or had a status change(s) during the 2022–2023 period.

Findings

There were no exceptions identified. The processing time for all selected records fell within the required standard.

Disability Premium Waivers

The Contract requires that Securian, for new disability premium waiver claims, 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 Contract, and that appropriate documentation and adjudication timeliness were met. Wipfli obtained documentation of Securian's process for disability premium waivers under the GLIP and reviewed 25 randomly selected records of the 1,720 files that included requests for waivers of premiums during the 2022–2023 period.

Findings

There were no exceptions identified. The processing times for all items selected fell within the required standards.

Cancellations 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 GLIP. They examined 25 randomly selected records out of 22,463 records that included cancellations and terminations during the 2022–2023 period. They inspected the cancellation or termination date for each record examined and compared it to the Securian database.

Findings

There was one exception noted. It was related to the termination date entered in Securian's system. An adjustment worksheet provided by the employer was misread and an incorrect date was entered.

Securian's response is as follows:

We agree with the audit findings. The exception noted here is explained correctly. The employer provided a handwritten adjustment worksheet and the termination date was misread and incorrectly entered. Once we became aware of the error, we corrected the termination date and adjusted the billing accordingly. The error was reviewed with the associate and coaching was provided.

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 life-to-health conversion policies to ensure that the remittances were completed timely. Wipfli obtained documentation of Securian's process for life-to-health conversion under the GLIP. They also obtained a data file containing a listing of all health insurance premiums paid on health-to-life conversions and randomly selected 25 of the 311 life-to-health conversions with premiums paid during the 2022–2023 period.

Findings

No exceptions were identified.

Premium Billing and Collection

ETF asked Wipfli to examine whether premiums were correctly calculated according to age and rates specified in the Contract. 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 the 2022–2023 period. Using 25 randomly selected samples, Wipfli viewed the premium billing calculations, which included a listing of all the employees, their life 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 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 retirees, consistent with the requirements of the Contract.

Administrative Performance Standards

The Contract requires Securian to report quarterly on a variety of services levels. The standards generally relate to timely processing of claims, applications, and underwriting determinations.

ETF asked Wipfli to verify the reporting that Securian provides to ETF. Wipfli obtained quarterly service level reporting from Securian. Wipfli selected all service levels from two quarters of both 2022 and 2023. Wipfli then compared process, reports, and results of sampled detail with the requirements of the Contract.

Findings

Wipfli discovered that Securian incorrectly reported the Q2 performance standard for the 2022 plan year, which required the payment of 95% of all death and dismemberment claims within 10 calendar days after receiving all necessary proof (Service Level A). Securian excluded the June claims from the reporting.

Securian explained that the exclusion of these totals was due to human error. The associate responsible for the mistake is no longer with the company, but the team currently responsible for compiling the reports has received coaching to prevent similar errors in the future. They have been instructed to thoroughly review all totals and compare them to both the previous quarters and the same quarter's totals from the prior year to ensure alignment with expected results. Recalculating the standard with the June data did not affect the outcome, as Securian still met the standard.

Testing met the required performance standards in all categories.

Review of Internal Controls, Policies, and Procedures

ETF requested Wipfli to review the interest crediting calculation and determine if it is calculated in accordance with the Contract.

Additionally, ETF requested Wipfli review the control processes involved in compiling the 2022 and 2023 Policy Year Reports and to identify any gaps or concerns. ETF also requested Wipfli trace the amounts in the Financial Experience sections of the reports to Securian's supporting documentation, as well as to trace and agree the reserve balances on December 31, 2022, and December 31, 2023, to supporting documentation.

Finding

Securian interest crediting reserves were deemed compliant with the Contract.

No exceptions were identified in the testing related to Securian's compliance as it relates to compiling the 2022 and 2023 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 and corrective actions Securian provided for the exceptions that were identified.

ETF did assess Securian a penalty for Quarter 4 in 2022 for not meeting one performance measure. The Contract calls for Securian to make a final disposition of 95% of all evidence of insurability applications (with notifications mailed to the applicant) within 7 calendar days after receipt of necessary information. The Securian metric was 93.3%, and as a result, was assessed a penalty.

Copies of the audit reports are included as Attachment A and Attachment B.

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

Attachment A: [Report on Applying Agreed-Upon Procedures 2022–2023](#)

Attachment B: [Report on Selected Internal Controls, Policies, and Procedures 2022-2023](#)