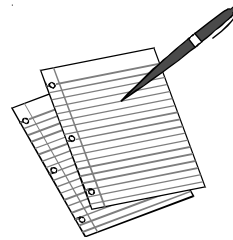
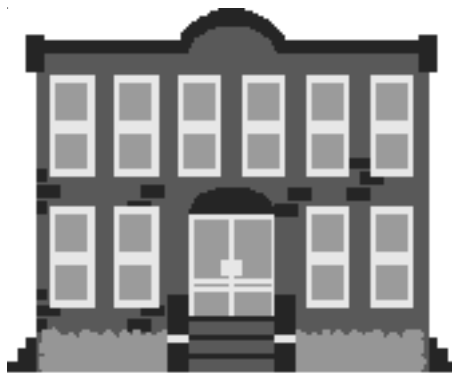


Segregated Funds



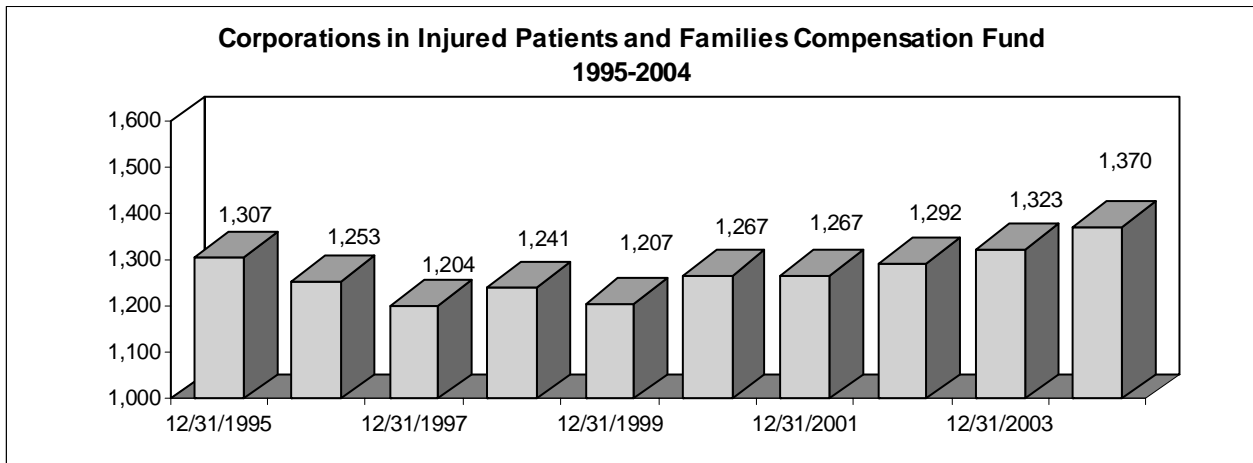
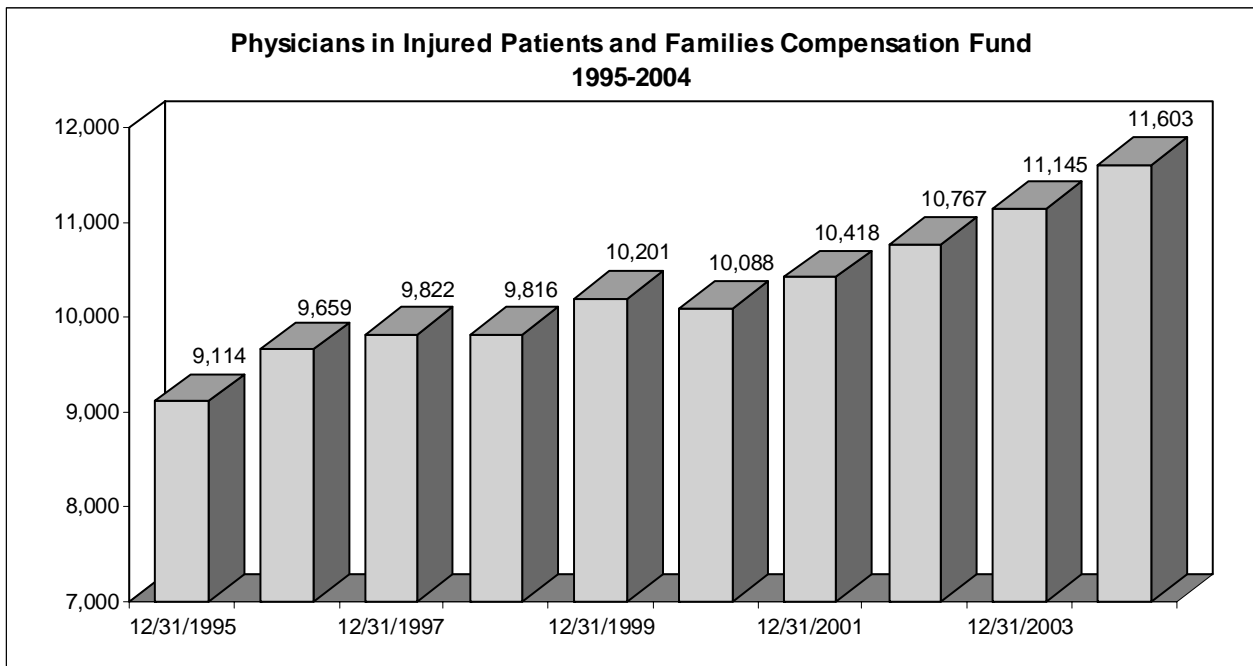


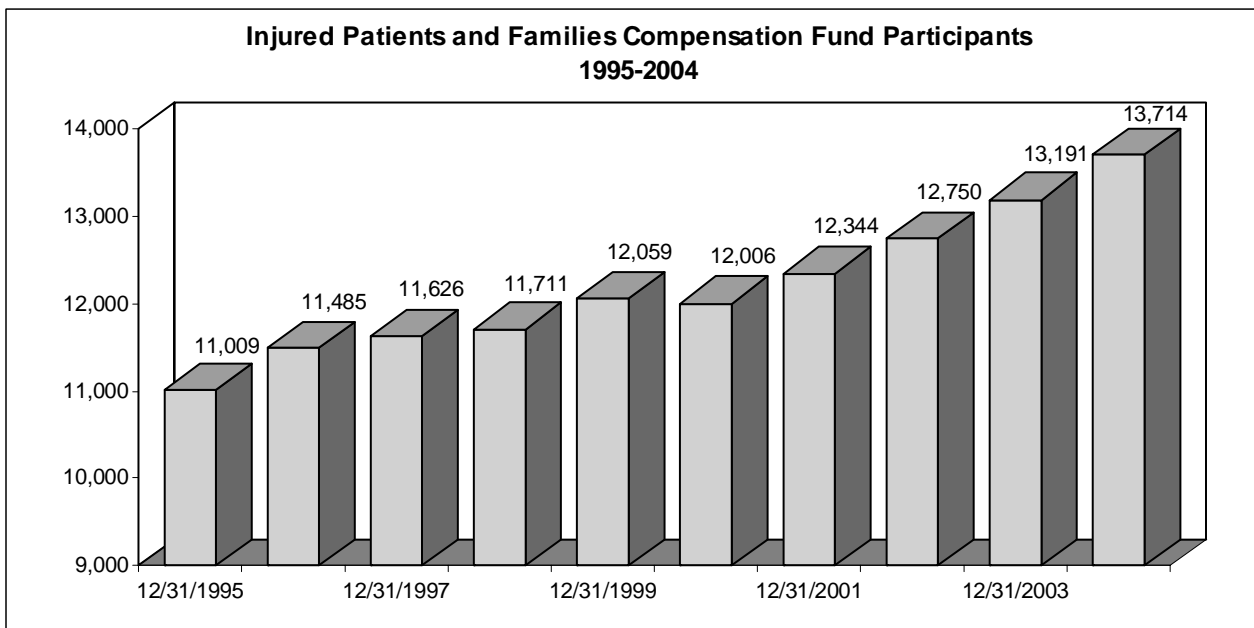
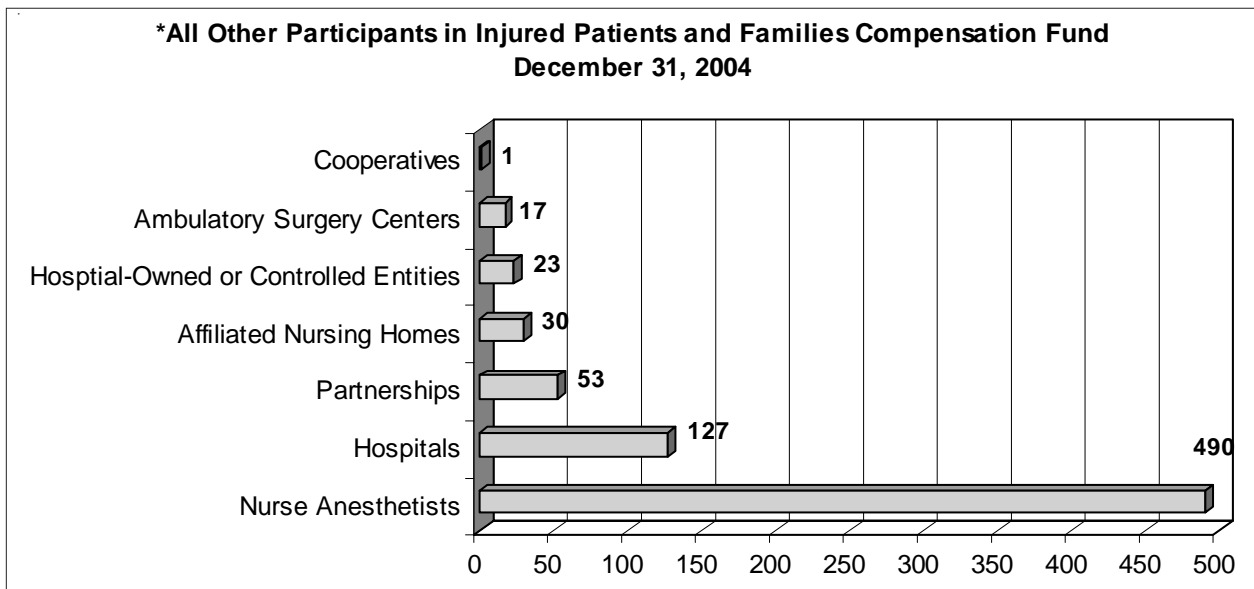
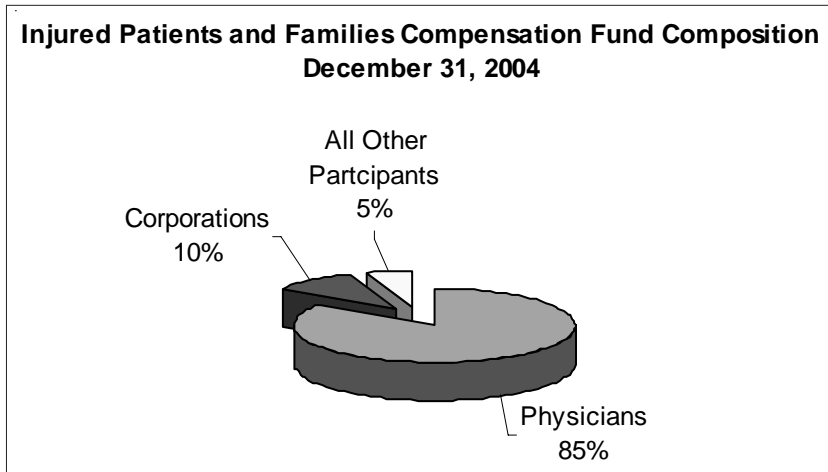
Injured Patients and Families Compensation Fund (Fund)

The Fund was created in 1975 to provide excess medical malpractice insurance for Wisconsin health care providers. The Fund is governed by a 13-member Board of Governors (Board) that consists of 3 insurance industry representatives, a member named by the Wisconsin Academy of Trial Lawyers, a member named by the State Bar Association, 2 members named by the State Medical Society of Wisconsin, a member named by the Wisconsin Hospital Association, 4 public members appointed by the Governor, and the Commissioner of Insurance who serves as the chair. The Fund's administrative staff is provided by OCI.

The Board is assisted by an Underwriting and Actuarial Committee, a Legal Committee, a Claims Committee, an Investment/Finance and Audit Committee, a Risk Management Steering Committee, and a Peer Review Council. The Board and its committees meet quarterly.

The Fund operates on a fiscal year basis—July 1 through June 30. Administrative costs, operating costs, and claim payments are funded through assessments on participating health care providers.



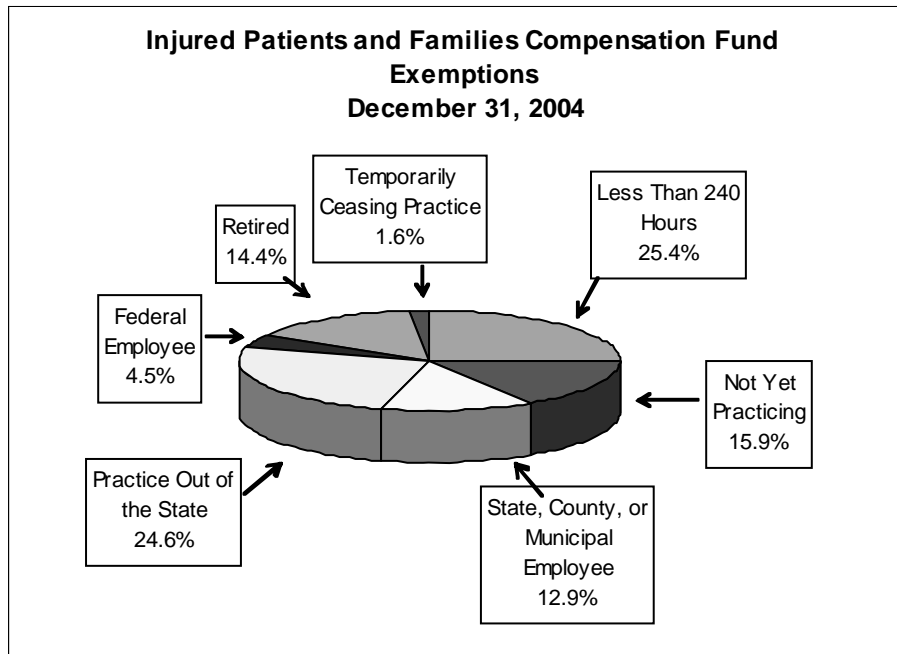


As of December 31, 2004, the vast majority of Fund participants were physicians at 85% with corporations comprising another 10% and the remaining 5% comprised of various other participant types, as illustrated in the charts above. At year-end 2004, Fund participants totaled 13,714 comprised of 11,603 physicians, 1,370 corporations, 490 nurse anesthetists, 127 hospitals with 30 affiliated nursing homes, 53 partnerships, 23 hospital-owned or controlled entities, 17 ambulatory surgery centers, and 1 cooperative.

From July 1, 1975, through December 31, 2004, 5,080 claims had been filed in which the Fund was named. During this period, the Fund's total number of paid claims increased to 618, totaling \$570,279,507. Of the total number of claims in which the Fund has been named, 4,252 claims have been closed with no indemnity payment. Of the remaining open claims reported as of December 31, 2004, 22 cases carried aggregate case reserves of \$17,710,410, while 188 cases had no reserves established.

2004 Major Activities

- Fund administration, in conjunction with legal counsel, closely monitored claims filed which challenge the constitutionality of the noneconomic and wrongful death caps. This is an ongoing issue and will be closely monitored.
- Fund administration closely monitored the use of outside counsel. Pursuant to a court decision in 2000, the Fund hires separate defense counsel on each claim. Fund staff monitors the claims and the use of these outside counsel to ensure that, while the Fund receives the necessary representation, legal fees are controlled.
- Extensive work continued during 2004 to verify and process up-to-date exemption status for providers that held a license to practice in Wisconsin but for which a current exemption or certificate was not on file with the Fund. Providers that remain in noncompliance are referred to their respective licensing boards for enforcement action by that board. As of December 31, 2004, 10,157 providers claimed an exemption from the Fund. The various basis for the exemptions are illustrated in the chart below:



Local Government Property Insurance Fund (Fund)

The purpose of the Fund is to make reasonably priced property insurance available for tax-supported local government property such as government buildings, schools, libraries, and motor vehicles. The Fund provides policy and claim service to the policyholders. As of January 1, 2002, the Fund changed the contract administrator to The ASU Group. As a result of this change, the policy and claims administration services office has been relocated to Madison, Wisconsin.

During fiscal year 2004 the Fund continued to enhance program and administrative operations relating to its computer system, the role of its advisory committee and claims and underwriting services. Specifically, a major computer system conversion to Windows-based software was commenced in 2004 with a completion date expected in 2005. System changes, to date, have improved the collection, analysis and reporting of premium and loss financial data which is now being posted on the Fund's enhanced Web page. The Fund's advisory committee, comprised of Fund policyholders, also conducted a mission statement and bylaws review process which has produced more focused and active subcommittees. The advisory committee provided input on policyholder matters; including ongoing projects relating to a policy rewrite project, an electronic statement of values form, an electronic survey form, a probable maximum loss study and developing a policyholder loss control program.

As of June 30, 2004, the Fund insured 1,203 policyholders: 65 counties, 333 schools, 170 cities, 224 towns, 283 villages, and 128 miscellaneous (libraries, etc.). With new business and terminations, the overall number of policyholders decreased by 3 (-0.2%) since the previous fiscal year-end. Two graphs are included that reflect changes in the Fund's policyholder base and growth in its insurance coverage in force.

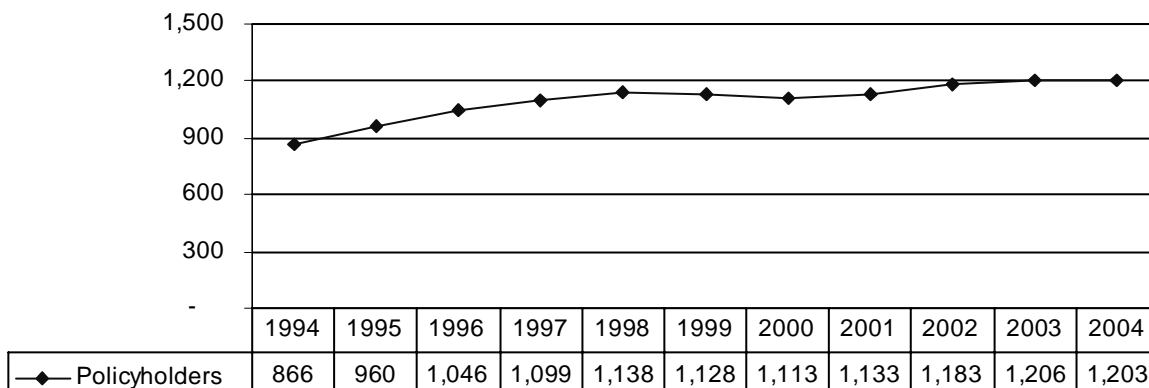
The Fund's insurance in force represents property that is insured against loss. The more property insured, the greater the potential for a loss. The total amount of insurance in force as of June 30, 2004, was \$35.9 billion, up from \$32.7 billion as of the previous fiscal year-end. The Fund's total insurance in force increased \$3.2 billion over the prior year while its surplus (total assets minus total liabilities) increased approximately \$9.8 million over the same time period.

Two pie charts reflecting premium earned distribution by type of policyholder and the breakdown by type of policy purchased are also attached. The majority of the Fund's insureds are using the valuation project service that began in 1988. This method of valuing buildings, contents, property in the open and contractor's equipment was developed to promote equity in premiums and the proper reporting of values. Participants not only have broader coverage, but also enjoy the benefits of automatic computer-generated statements of values.

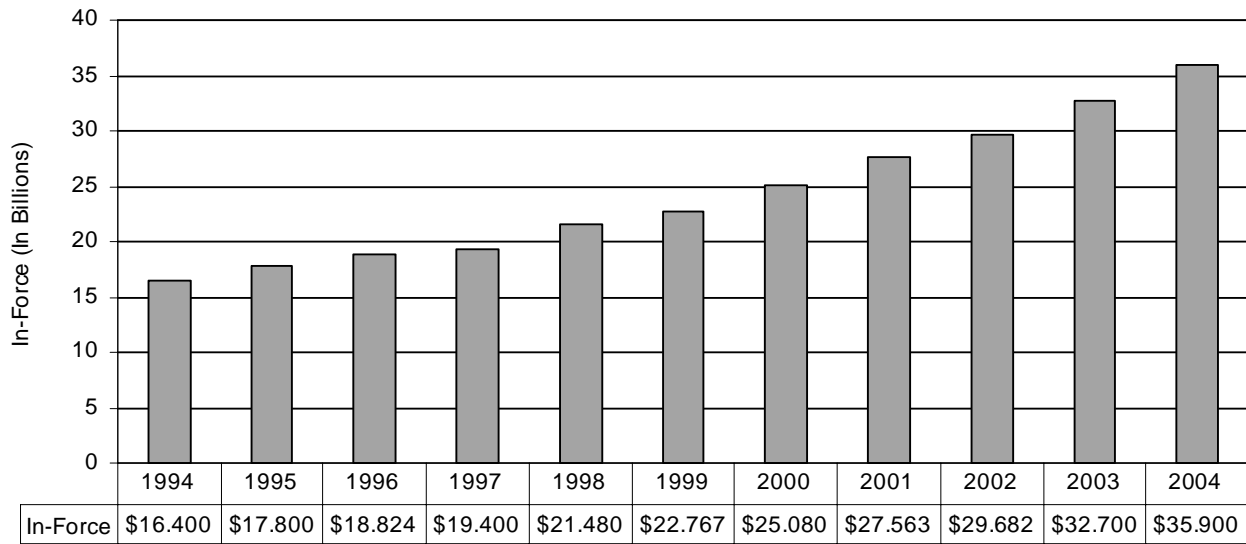
The Fund's balance sheet and income statement for the fiscal year ending June 30, 2004, are included with this report. As a result of the rate increases the Fund implemented in 2002 and 2003 and changes in the rating formula, the Fund experienced an underwriting gain of approximately \$8.9 million and a net income of almost \$9.8 million after investment income was taken into consideration.

Fund management will continue to monitor insurance in force, claims trends and Fund surplus when evaluating the Fund's rating structure. Claims costs coupled with higher self-insured Fund reinsurance retention levels and reinsurance premium will continue to be factors in the rate-setting analysis.

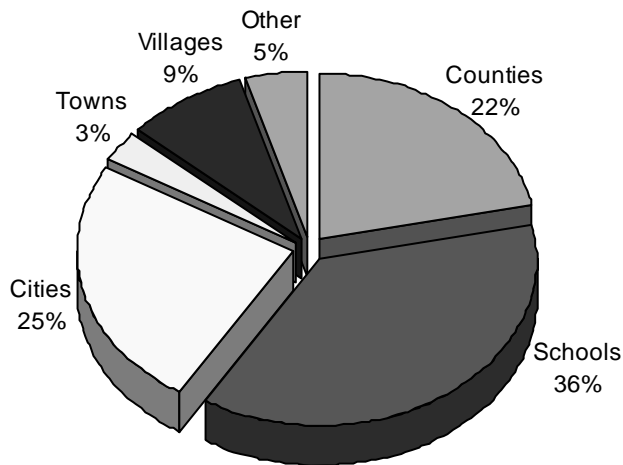
**Number of Policyholders
Fiscal Years 1994 - 2004**



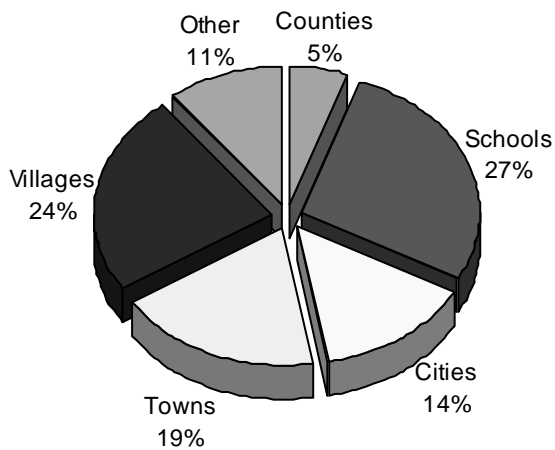
**Local Government Property Insurance Fund
 Growth of Coverage In-Force**



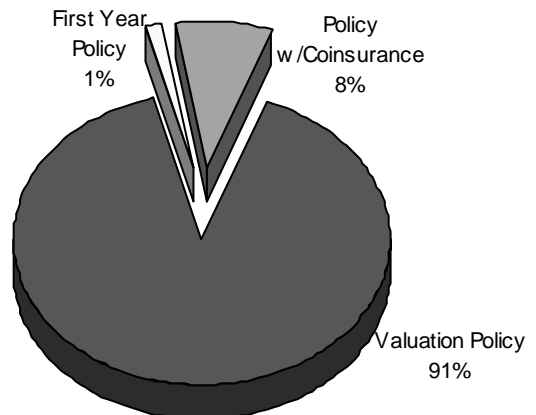
**Direct Premium Earned by Entity Type
 Fiscal Year Ending June 30, 2004**



**Percent of Policies by Entity Type
 Fiscal Year Ending June 30, 2004**



**Percent of Policies by Policy Type
 Fiscal Year Ending June 30, 2004**



Wisconsin Insurance Report Business of 2004
Segregated Funds, Local Government Property Insurance Fund

Following are financial statements—balance sheet and income statements—for the Fund for the fiscal year ending June 30, 2004.

Local Government Property Insurance Fund Balance Sheet—Statutory Basis June 30, 2004	
Assets	
Bonds - Amortized Cost	\$ 7,830,497
Investment Fund	24,102,000
Cash at Treasury	16,732
Premiums Receivable	1,062,674
Reinsurance Recoverable	2,902,421
Interest Receivable	<u>207,131</u>
Total Assets	<u>\$36,121,455</u>
Liabilities and Surplus	
Liabilities	
Net Loss Reserves	\$ 4,256,773
Loss Adjustment Expenses Payable	97,719
Net Unearned Premiums	6,702,224
Other Expenses Payable	<u>796,411</u>
Total Liabilities	\$11,853,127
Surplus	
Surplus - Beginning of Year	14,475,165
Net Income (Loss)	<u>9,793,163</u>
Surplus - End of Year	<u>24,268,328</u>
Total Liabilities and Surplus	<u>\$36,121,455</u>

Local Government Property Insurance Fund Income Statement—Statutory Basis June 30, 2004	
Premiums Earned	
Direct Premium Earned	\$26,664,385
Reinsurance Ceded	<u>(5,710,491)</u>
Net Premium Earned	\$20,953,894
Losses Incurred	
Direct Losses Incurred	9,927,473
Reinsurance Loss Recoveries	<u>(86,557)</u>
Net Losses Incurred	9,840,916
Loss Adjustment Expenses	682,430
Other Underwriting Expenses	<u>1,447,306</u>
Total Net Losses and Expenses	<u>11,970,652</u>
Underwriting Income	8,983,242
Investment & Other Income	
Interest on Bonds	622,321
Investment Fund Earnings	211,520
Other Income	0
Investment Expenses	<u>(23,920)</u>
Net Investment Income	<u>809,921</u>
Net Income Before Dividends	9,793,163
Dividends to Policyholders	<u>(0)</u>
Net Income	<u>\$ 9,793,163</u>

State Life Insurance Fund (Fund)

The Fund is a segregated fund located within OCI. The Fund offers a maximum of \$10,000 of life insurance to state residents. Operating as a mutual insurance company, the Fund is supervised by the Commissioner.

Section 607.15, Wis. Stat., requires the Fund to distribute annually among the policyholders its net profits and to the extent practicably possible, maintain a ratio of surplus to assets between 7% and 10%. In 2004, a

distribution of \$4.1 million was paid to policyholders in the form of dividends.

Wisconsin is the only state in the nation that offers a life insurance program to residents. All policies issued are participating and there is no marketing of the Fund. The lapse rate on Fund policies is a low .7%. As of December 31, 2004, there were 29,713 policies in force.

State Life Insurance Fund Balance Sheet December 31, 2004	
Assets	
Bonds	\$71,881,259
Policy Loans	3,703,089
Cash and Bank Deposits	2,413,222
State Investment Fund	1,997,000
Premiums Deferred & Uncollected	120,914
Investment Income Due & Accrued	<u>1,274,997</u>
Total Assets	<u><u>\$81,390,481</u></u>
Liabilities and Surplus	
Reserves for Life Policies & Contracts	\$56,620,280
Interest Maintenance Reserve	274,318
Policy Claims	151,420
Dividends Due and Unpaid (2004)	15,468
Dividends - Provision for 2005	4,156,449
Deposit Type Contracts	15,937,610
Unclaimed Property	58,587
Taxes, Licenses, Fees Accrued	596
Suspense and CANC Drafts	105,920
Expenses Due & Accrued	54,796
Back Up Withholding	2
Premiums Received in Advance	41,420
Asset Valuation Reserve	<u>208,662</u>
Total Liabilities	\$77,625,528
Surplus	<u>3,764,953</u>
Total Liabilities and Surplus	<u><u>\$81,390,481</u></u>

State Life Insurance Fund Income Statement December 31, 2004	
Income	
Premiums	\$2,802,918
Investment Income	4,496,989
Miscellaneous Income	1,000
Amortization of Interest Maintenance Reserve	<u>166,180</u>
Total Income	\$ 7,467,087
Expenses	
Death Benefits	825,450
Matured Endowments	272,500
Other Policy Benefits	1,025,801
Increase in Reserve	1,547,250
General Operating Expense	<u>525,168</u>
Expenses before Dividends	<u>4,196,169</u>
Net Gain before Dividends	<u>3,270,918</u>
Dividends to Policyholders	<u>4,123,484</u>
Net Gain (Loss) from Operations	<u><u>\$ (852,566)</u></u>