

## **IV. Funds and Program Management**



## Information Services Section

The Information Services Section provides new applications project management, architecture, design work and programming; network and database operations and security; maintenance support for all in-house computer applications and interfaces for all external applications; hardware and software testing and acquisitions; e-mail account administration and security; and help desk support for desktop and laptop PCs, printers, faxes, scanners and copiers. The section strives for 99.9% uptime of the database and network. Agency telecommunications services are also provided or coordinated through this section.

### Applications

On the applications side of the Information Services Section, the following work was accomplished in support of user business applications:

- Completed implementation of the Web-based Sircon insurance regulation business management application for agent licensing and company regulation functions.
- Started conversion efforts on several OCI applications and processes to utilize data in Sircon database structures instead of COSMOS structures (the previous business management application):
  - ◆ Completed report conversions:
    - Rate/form
    - Producer licensing
    - Revenue collection
    - Above average
  - ◆ Completed scanning database conversion
  - ◆ Completed imaging integration (Rates and Forms)
  - ◆ Completed company enhancements
  - ◆ Started Producer server object development for OCI application integration
- Continued development of Injured Patients and Families Compensation Fund business management application.
- Continued development of the Staff Applications Management System (SAMS) Phase 1A – Employee HR Data.
- Started development of Premium Tax application enhancement project - Guaranty Fund Credit application.
- Completed development of Internet-based Web Access - Rates & Forms project for external customers.

- Started development of internal OCI functionality for Web-based access and indexing of Rates & Forms documents.
- Started development of the Internet Filing (Fillable Forms) project to convert legacy Web forms to more user-friendly, interactive forms that save data to a centralized database.
- Continued effort to convert the Service of Process application from a dBase application to an Oracle database application.
- Continued development of the Template Wizard application to centralize agency-wide Microsoft Office template development and access.
- Provided support for and maintenance of existing OCI systems:
  - ◆ OCI Enterprise - put out several new builds of the OCI Enterprise system to incorporate periodic improvements in applications such as Complaints and Legal
  - ◆ Financial databases and applications
  - ◆ Performed system improvements or provided maintenance work for the Injured Patients and Families Compensation Fund business management application to improve reliability and stability of the application and facilitate the development of a replacement system

### Technical

On the technical side of the Information Services Section, the following work was accomplished to improve business users' computing environment:

- Completed upgrades for several servers from Windows Server 2000 to Windows Server 2003.
- Completed implementation of new database servers.
- Completed upgrades for several database servers to Oracle 10g.
- Completed upgrade of Weblogic development environment from version 7 to version 8.
- Completed upgrade of JBuilder development environment from JBuilder version 5 to version 2006.
- Started planning and design for implementing Crystal Reports to use as a reporting tool.
- Completed evaluation and implemented new technologies to streamline development processes using Java Server Faces.

- Started evaluation for the implementation of a software version control process and software (StarTeam to Subversion/Trac).
- Started efforts to streamline and improve the computer imaging and application deployment processes:
  - ◆ Started design and development of new workstation image and application packages
  - ◆ Started design and implementation of a new process for deploying applications using application packages
  - ◆ Started design and implementation of a new structure for Organization Units in Active Directory
- Completed upgrades of domain and other servers from Windows Server 2000 to Windows Server 2003.
- Provided ongoing support for systems-related operational processes for the agency:
  - ◆ Production of *Wisconsin Insurance Report* data outputs (Commissioner's Report)
  - ◆ Production of quarterly agent files for the Department of Revenue (DOR)
  - ◆ Completed implementation of hourly Sircon database snapshot process
  - ◆ Completed modifications to imaging procedures and applications to allow images to save as PDF instead of TIFF
  - ◆ Provided administration of the CSAD RIRS data transfer and reporting processes
- Provided telecom systems administration, maintenance, and support for the agency:
  - ◆ Telephone hardware and network
  - ◆ Cell phone hardware
  - ◆ CallCenterAnywhere call center application
  - ◆ Automated call distribution (ACD) system
- Provided IT infrastructure administration and support services for the agency:
  - ◆ IT Help Desk services
  - ◆ E-mail system software and hardware
  - ◆ Hardware [servers, routers, switches, storage area network (SAN), racks, uninterruptible power supplies (UPS), etc.]
  - ◆ Operating systems and administration software
  - ◆ Desktop and laptop computer and software administration, management, and support

## **Management**

On the management side of the Information Services Section, the following work was accomplished to improve overall IT program management:

- Started efforts to improve IT project management procedures including:
  - ◆ Developed new document templates and procedures
  - ◆ Implemented weekly status reporting process for developers
  - ◆ Defined Project Governance Board structure, responsibilities, and procedures
- Started efforts to improve support redundancy by cross-training staff on imaging and telecom systems and support procedures.
- Completed NAIC technology surveys including a survey on the status of the state's technology environments.
- Continued work to update the agency's disaster recovery plan including specific pandemic planning efforts.

## Management Analysis and Planning

The Management Analysis and Planning Section (MAPS) supports the mission of the Office of the Commissioner of Insurance through oversight of the agency's business planning processes in the areas of financial management, project management, staff development and office management. During 2006, the agency was faced with the elimination of 6.0 FTE positions due to a statewide consolidation initiative. As a result it was necessary for the agency to reevaluate its organizational structure, thus creating the Management Analysis and Planning Section. This section is responsible for the agency's budget, accounting, and fiscal responsibilities and administers the agency-wide project management program; staff development; continuity of operations planning, and office management services, including: risk management; health and safety; mail and reception functions. MAPS staff also serves as liaison between the agency and the Department of Administration for human resources, training and procurement services.

### Financial Management

This area provides accounting, budgeting, contract management, internal control, procurement, risk management, and vendor payment services for the Office of the Commissioner of Insurance. The section produces the annual operating budgets for all units of the agency, external financial reports at the fund and agency level, GAAP reports, and required statutory reports, e.g., Ethics Board Sunshine Act and minority contracting reports.

The staff is responsible for providing technical budget assistance and guidance to OCI managers and staff, tracking expenditures and revenues, collecting accounts receivables, calculating and billing of the annual examination assessment, administering the state purchasing card program, cashing and serving as liaison with the Department of Administration-Procurement.

Some of the accomplishments in this area during the past year include:

- Worked with Department of Administration-Procurement to implement the transition details for the procurement consolidation.
- Chaired the State Agency Purchasing Council.
- Implemented new requirements for obtaining IT contract services through the vendor managed IT services contract.

- Participated and attended training as subject matter experts on the finance and purchasing committees for the Integrated Business Information System (IBIS) regarding the implementation of the State's new Enterprise Resource Planning (ERP) system.
- Worked on the development of a new chart of accounts in preparation for the IBIS implementation.
- Coordinated the Sircon revenue module implementation.
- Established a Health Insurance Risk-Sharing Plan (HIRSP) appropriation in OCI and prepared reports on the federal funds received by Wisconsin for this program.
- Implemented a series of budget and position transactions needed to reflect administrative requirements in 2005 Wisconsin Act 25 (the biennial budget bill).
- Updated the agency's strategic business plan.
- In conjunction with the Department of Health and Family Services, continued enhancing an Administrative Rules Web site that has been called "one of the nation's most advanced Internet applications for public policy-making."
- Updated the agency's Continuity of Operations Plan/Continuity of Government Plan to guide agency business resumption activities in the event a disaster interrupts business operations.
- Conducted exercises of the Continuity of Operations Plan, as well as provided training to assigned staff.
- Started /facilitated pandemic planning for the agency.
- Prepared the agency's 2007-2009 Biennial Budget Request.

### Project Management

In 2006, MAPS was given Executive Management direction and support to define and implement procedures and standards that would facilitate more rigorous project management, oversight, and communication with the expectation that organizational efficiency and project performance will improve.

The Project Management Program in MAPS is designed to ensure business process and information technology projects that are undertaken are aligned with OCI's Strategic Business Plan, facilitate the Project Governance Board meetings, provide project status reports to the Project Governance Board, and ensure consistency between projects and project managers for performance metrics, documentation, and communication.

The following activities were accomplished to improve the Project Management Program:

- Expanded the agency's Project Management Program to include business process and information technology projects.
- Developed a procedure for staff to propose new business process and information technology projects.
- Developed standardized forms to be used by all project managers including Project Idea Statements and Business Cases.
- Conducted project management process improvement sessions.
- Increased the number of staff trained in project management to serve as project managers.

### **Staff Development**

The Department of Administration began providing training support for the agency beginning mid-2006 due to the consolidation efforts. OCI felt a need to continue to provide assistance in the area of staff development in the provision of technical training, management of insurance industry related staff development, monitoring of industry related career development program activities, coordination of agency training needs identification, and management of training records, while also serving as liaison with the Department of Administration-Training.

Training activities in 2006 included:

- Utilized all available NAIC grant/zone funds to support our regulatory training needs.
- Provided specialized industry training in-house, including ACL training.
- Use Case training for Project Managers and business partners.
- Microsoft Project training for Project Managers.
- Adobe Acrobat training for Regulation and Enforcement staff.

### **Office Management**

The Office Management area provides essential office leadership and services in an effort to achieve a quality workforce and environment in support of the mission of the agency. This area is responsible for monitoring and maintaining agency policies and procedures, managing administrative matters affecting the business operation of the agency, and serving as liaison

with the Department of Administration-Human Resources. In an effort to strive to achieve physical accommodations for maximum comfort, security, and safety for staff and visitors alike, this area is responsible for the management of building maintenance and security, along with provision of health and safety oversight. The Office Management area is also responsible for providing the agency's mail, reception and publication distribution services.

Some of this area's major accomplishments for 2006 were:

- Coordinated transition efforts relating to the consolidation of services to the Department of Administration-Human Resources.
- Implemented a reorganization plan for the agency in response to the consolidation initiative.
- Coordinated efforts to address recruitment issues relating to agency bilingual needs.
- Participated on statewide Workforce Planning task force efforts and helped develop the agency's plan.
- Continued the agency's ongoing supported work efforts by renewing the employment of disabled individuals through the organization Community Work Services, Inc.
- Responded to requests for both individual and bulk publication orders.
- Coordinated the development of a publication inventory system database.
- Responded to employees' ergonomic needs.

## **Alternative Work Patterns**

OCI is cognizant of the need to offer a flexible work environment in order to maximize the employment options available to existing and potential state employees and to meet the needs of our constituents. OCI encourages the utilization of alternative work patterns such as flex time, part-time, and shared-time schedules to increase productivity, extend services, reduce absenteeism, improve employee morale, allow for employee development, and maximize energy conservation through ridesharing and use of mass transit systems. Currently our staff includes two job-share arrangements and four part-time permanent

employees. Ninety-one percent of the agency's staff has some form of nonstandard work schedule. The agency also reviews requests, on a case-by-case basis, from staff who wish to temporarily work from their home. The agency recognizes that alternative work pattern schedules may provide opportunities for individuals to productively utilize their skills, talents, and abilities. It recognizes that a traditional, full-time, work schedule may not meet the needs of individuals whom, due to age, health, or family circumstances, find such a schedule in conflict with responsibilities outside of work.

### 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 has a manager and is supervised by the Commissioner. The Fund provides policy and claim service to the policyholders. The Fund's contract administrator is The ASU Group. The ASU Group office is located in Madison, Wisconsin.

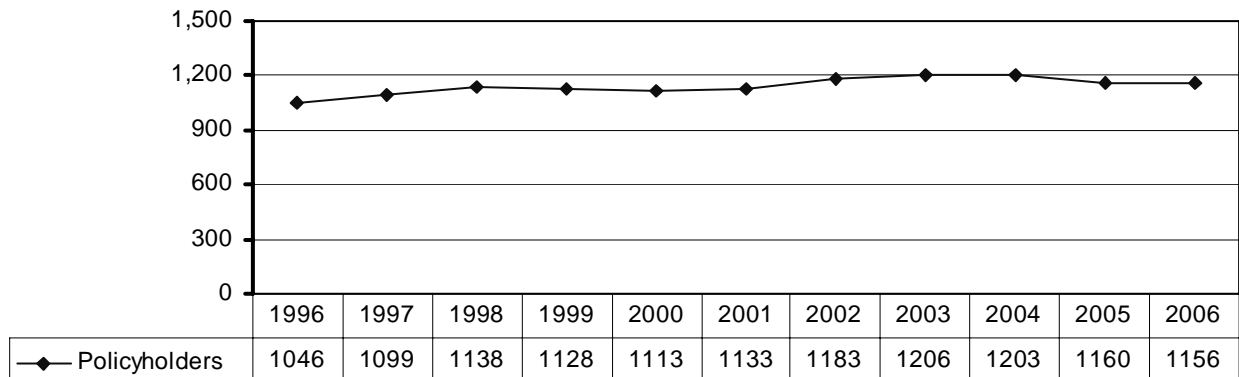
During fiscal year 2006 the Fund continued to enhance program and administrative operations relating to its computer system, the role of its advisory committee and claims and underwriting services. Specifically, a major enhancement to policy processing, including renewals and all policy changes continued in 2006. The Electronic Statement of Values (ESOV) project is a Web-based program that will allow policyholders to make all of their policy property changes on line. Functionality within ESOV will also give the policyholder the option

to export their statement of values to Excel format and sort by department.

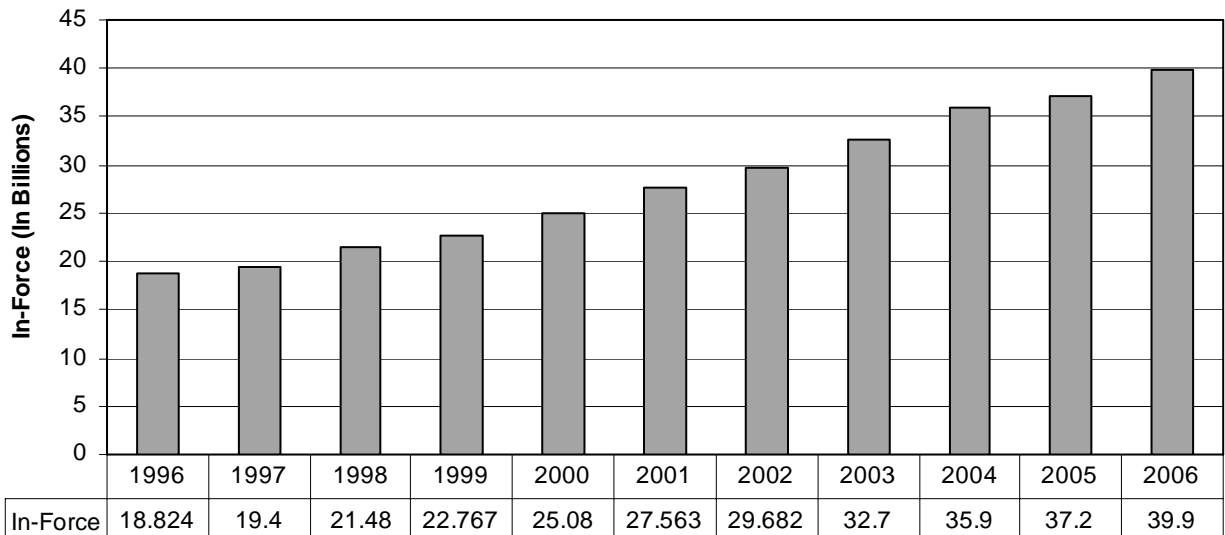
The Fund's advisory committee, comprised of Fund policyholders, provided input on policyholder matters including ongoing projects relating to a policy rewrite project, the electronic statement of values project, an electronic survey form, a probable maximum loss study and developing a policyholder loss control program.

As of June 30, 2006, the Fund insured 1,156 policyholders: 62 counties, 326 schools, 162 cities, 212 towns, 269 villages, and 125 miscellaneous (libraries, etc.). With new business and terminations, the overall number of policyholders decreased by 4 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.

**Number of Policyholders  
Fiscal Years 1996 - 2006**



**Growth of 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, 2006, was \$39.9 billion, up from \$37.2 billion as of the previous fiscal year-end. The Fund's total insurance in force increased \$2.7 billion over the prior year while its surplus (total assets minus total liabilities) increased approximately \$4.5 million over the same time period.

Below are three pie charts reflecting the premium earned and the percent of policies by type of policyholder entity, and a breakdown of the type of policy purchased. 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. Valuation participants not only have broader coverage than those insureds that purchase a coinsurance policy but also enjoy the benefits of automatic computer-generated statements of value. The coinsurance policy requires the insured to establish the insurance value for the property, which caps the maximum recovery in the event of a total loss and can also impose

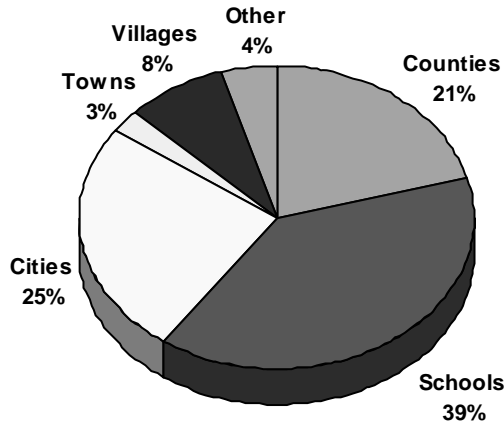
limitations when paying partial losses if the property is not insured to full value.

The Fund's balance sheet and income statement for the fiscal year ending June 30, 2006, are included with this report. The Fund experienced an underwriting gain of approximately \$2.4 million and a net income of almost \$4.5 million after investment income was taken into consideration.

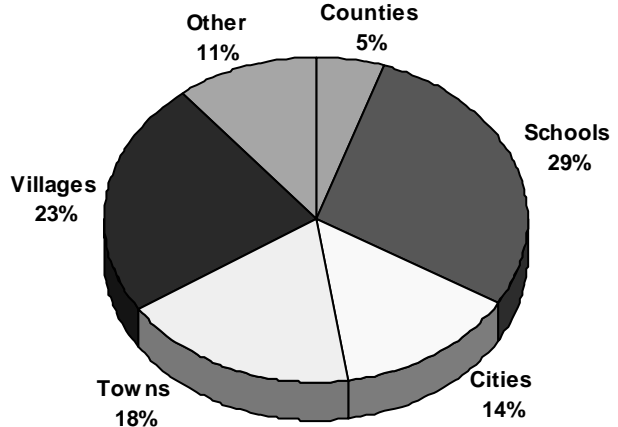
Effective July 1, 2006, for new and renewal business the Fund implemented additional deductible credits of 5% for all deductible amounts. Also, effective July 1, 2006, for building and content rates the Fund adopted the Insurance Service Office's (ISO) experience loss adjustments projected to result in a 8% overall reduction in the rate, on average.

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 considered in the rate-setting analysis.

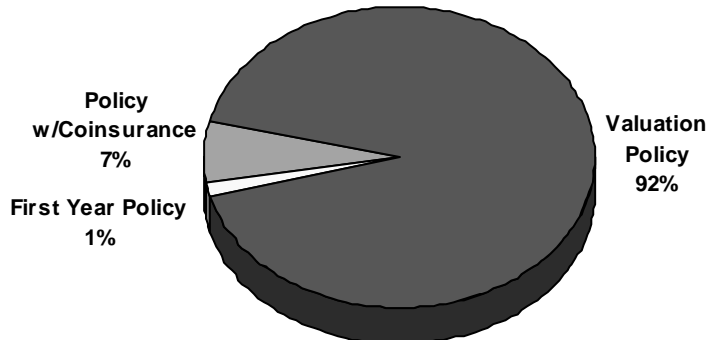
**Direct Premium Earned by Entity Type  
Fiscal Year Ending June 30, 2006**



**Percent of Policies by Entity Type  
Fiscal Year Ending June 30, 2006**



**Percent of Policies by Policy Type  
Fiscal Year Ending June 30, 2006**



*Wisconsin Insurance Report Business of 2006*  
*Funds and Program Management, Local Government Property Insurance Fund*

Following are financial statements—balance sheet and income statements—for the Fund for the fiscal year ending June 30, 2006.

<b>Local Government Property Insurance Fund Balance Sheet—Statutory Basis June 30, 2006</b>	
<b>Assets</b>	
Bonds - Amortized Cost	\$ 3,997,230
Investment Fund	48,932,000
Cash at Treasury	996
Premiums Receivable	746,380
Reinsurance Recoverable	0
Interest Receivable	<u>225,302</u>
<b>Total Assets</b>	<b><u>\$53,901,908</u></b>
<b>Liabilities and Surplus</b>	
<b>Liabilities</b>	
Net Loss Reserves	\$ 8,566,942
Loss Adjustment Expenses Payable	140,535
Net Unearned Premiums	5,798,195
Other Expenses Payable	<u>400,329</u>
<b>Total Liabilities</b>	<b>\$14,906,001</b>
<b>Surplus</b>	
Surplus - Beginning of Year	34,520,117
Net Income (Loss)	<u>4,475,790</u>
<b>Surplus - End of Year</b>	<b><u>38,995,907</u></b>
<b>Total Liabilities and Surplus</b>	<b><u>\$53,901,908</u></b>

<b>Local Government Property Insurance Fund Income Statement—Statutory Basis June 30, 2006</b>	
<b>Premiums Earned</b>	
Direct Premium Earned	\$24,959,726
Reinsurance Ceded	<u>(3,782,276)</u>
<b>Net Premium Earned</b>	<b>\$21,177,450</b>
<b>Losses Incurred</b>	
Direct Losses Incurred	17,712,506
Reinsurance Loss Recoveries	<u>(1,009,381)</u>
<b>Net Losses Incurred</b>	<b>16,703,125</b>
<b>Loss Adjustment Expenses</b>	<b>690,227</b>
<b>Other Underwriting Expenses</b>	<b><u>1,419,754</u></b>
<b>Total Net Losses and Expenses</b>	<b><u>18,813,106</u></b>
<b>Underwriting Income</b>	<b>2,364,344</b>
<b>Investment &amp; Other Income</b>	
Interest on Bonds	231,182
Investment Fund Earnings	1,919,494
Investment Expenses	<u>(39,230)</u>
<b>Net Investment Income</b>	<b><u>2,111,446</u></b>
<b>Net Income Before Dividends</b>	<b>4,475,790</b>
Dividends to Policyholders	<u>(0)</u>
<b>Net Income</b>	<b><u>\$4,475,790</u></b>

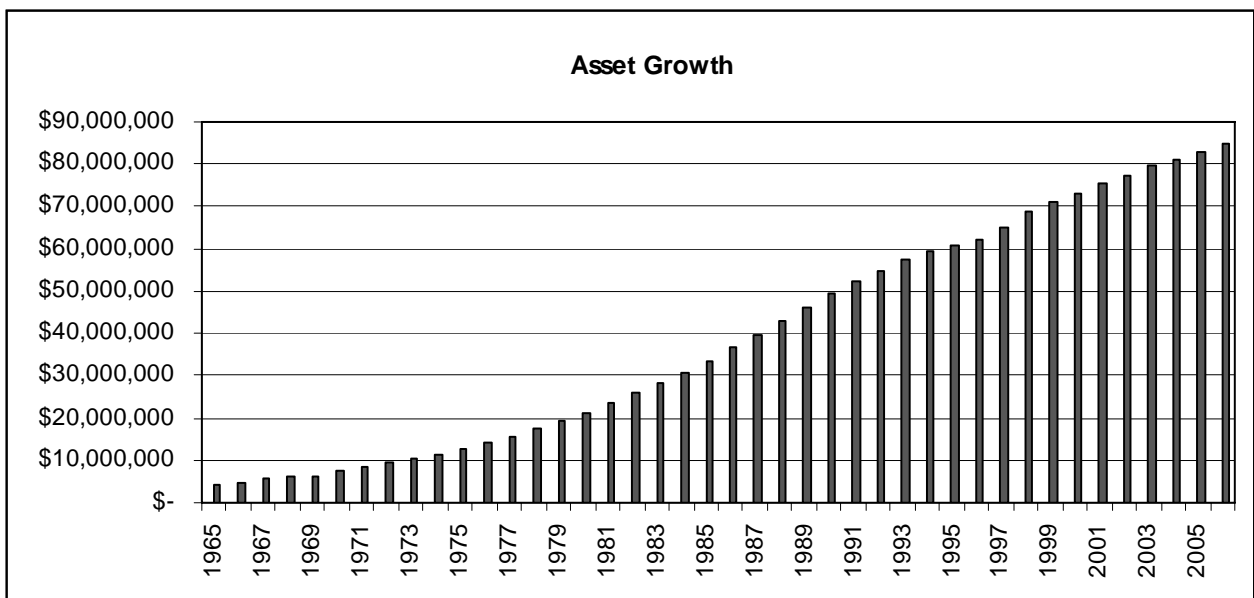
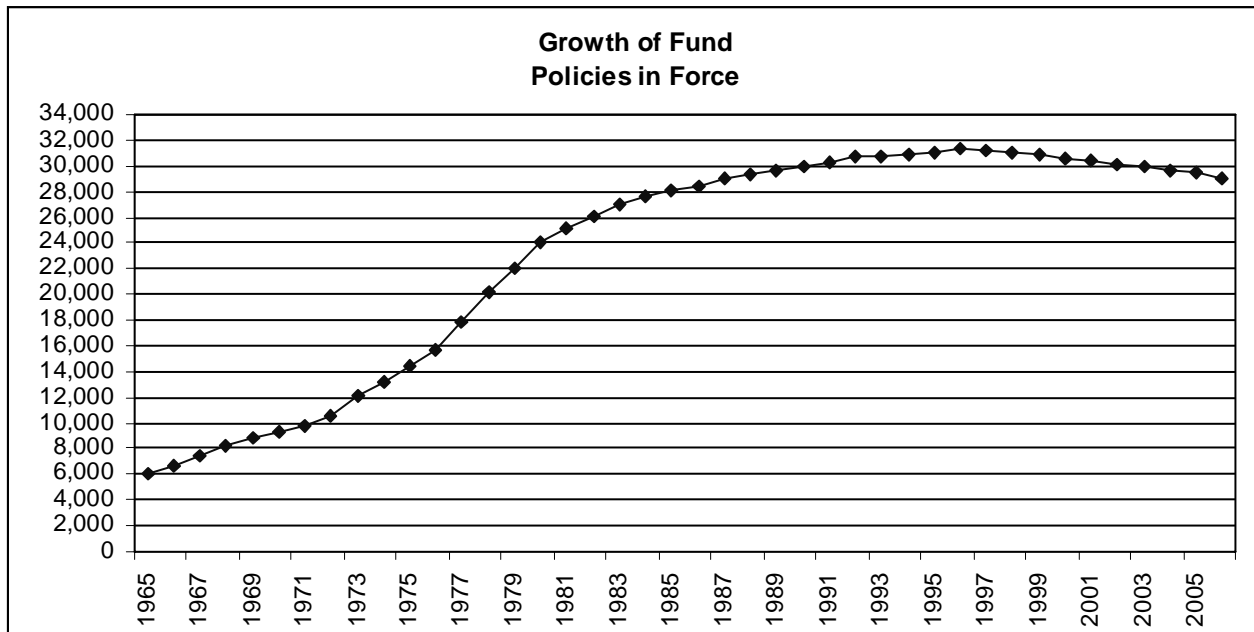
### State Life Insurance Fund (Fund)

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 has a manager and 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 2006, a distribution of \$2.1 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 1.2%. As of December 31, 2006, there were 29,046 policies in force.



*Wisconsin Insurance Report Business of 2006  
Funds and Program Management, State Life Insurance Fund*

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Following are financial statements—balance sheet and income statements—for the Fund for the year ending December 31, 2006.

<b>State Life Insurance Fund Balance Sheet December 31, 2006</b>	
<b>Assets</b>	
Bonds	\$76,825,094
Policy Loans	3,727,629
Cash and Bank Deposits	2,831,928
Premiums Deferred & Uncollected	118,618
Investment Income Due & Accrued	1,322,640
Recoverable Reins.	<u>4,070</u>
<b>Total Assets</b>	<b><u>\$84,829,979</u></b>
<b>Liabilities and Surplus</b>	
Reserves for Life Policies & Contracts	\$59,083,485
Interest Maintenance Reserve	1,077,510
Policy Claims	220,381
Dividends Due and Unpaid (2006)	17,641
Dividends - Provision for 2007	2,104,101
Deposit Type Contracts	16,971,560
Unclaimed Property	31,006
Taxes, Licenses, Fees Accrued	711
Suspense and CANC Drafts	102,793
Expenses Due & Accrued	53,877
Back Up Withholding	627
Premiums Received in Advance	51,985
Asset Valuation Reserve	<u>204,035</u>
<b>Total Liabilities</b>	<b>\$79,919,712</b>
Surplus	<u>4,910,267</u>
<b>Total Liabilities and Surplus</b>	<b><u>\$84,829,979</u></b>

<b>State Life Insurance Fund Income Statement December 31, 2006</b>	
<b>Income</b>	
Premiums	\$2,099,628
Investment Income	4,724,585
Amortization of Interest Maintenance Reserve	<u>425,995</u>
<b>Total Income</b>	<b>\$ 7,250,208</b>
<b>Expenses</b>	
Death Benefits	1,030,263
Matured Endowments	207,000
Other Policy Benefits	1,078,865
Increase in Reserve	1,103,479
General Operating Expense	<u>537,887</u>
<b>Expenses before Dividends</b>	<b><u>3,957,494</u></b>
Net Gain before Dividends	<u>3,292,714</u>
Dividends to Policyholders	<u>2,062,645</u>
<b>Net Gain (Loss) from Operations</b>	<b><u>\$ 1,230,069</u></b>