

**BRIEFING SHEET**Report 16-12  
December 2016State Auditor  
[Joe Chrisman](#)**State Life Insurance Fund  
Calendar Years 2015, 2014, and 2013***Office of the Commissioner of Insurance***Background**

The State Life Insurance Fund (SLIF) was created in 1911 to provide low-cost individual life insurance to Wisconsin residents. It is self-funded through premiums and investment earnings and is administered by the Office of the Commissioner of Insurance (OCI).

SLIF operates under specific statutory restrictions, including a prohibition on employing insurance agents and a limitation on coverage of \$10,000 for any insured individual. SLIF prepares its financial statements on a regulatory basis in accordance with financial reporting requirements prescribed by the Wisconsin Commissioner of Insurance, but not in accordance with generally accepted accounting principles. The Commissioner of Insurance prescribes that SLIF follow the statutory accounting practices established by the National Association of Insurance Commissioners.

**Audit Results**

We found SLIF's regulatory basis financial statements to be fairly presented in accordance with financial reporting requirements prescribed by the Wisconsin Commissioner of Insurance. Therefore, we have provided an unmodified opinion on SLIF's financial statements prepared on a regulatory basis. As required by auditing standards, we have also provided an adverse opinion on SLIF's financial statements based on generally accepted accounting principles. Our report also includes an Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters.

**Key Findings**

We found:

- The number of life insurance policies in effect has declined, and 25,132 life insurance policies were in effect as of December 31, 2015.
- The amount of life insurance in force also declined and was \$194.1 million as of December 31, 2015.
- The surplus-to-assets ratio, which had exceeded the statutorily specified range of 7.0 percent to 10.0 percent, decreased to be within range by the end of 2014 and was 9.2 percent as of December 31, 2015.

**Audit Recommendations**

We report significant deficiencies in internal control related to separation of duties over manual deposits and reconciliations between the State's central accounting system and SLIF's accounting system. We also identified a significant deficiency in the Department of Administration's centralized cash reconciliations, which are relied upon by SLIF.

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