



Injured Patients & Families Compensation Fund

Tony Evers, Governor of Wisconsin  
Nathan Houdek, Commissioner of Insurance

October 27, 2022

The Honorable Robert L. Cowles  
Jt. Legislative Audit Committee, Senate Co-Chair  
State Capitol, Room 118 South  
PO Box 7882  
Madison WI 53707

The Honorable John Macco  
Jt. Legislative Audit Committee, Acting Assembly Co-Chair  
State Capitol, Room 208 North  
PO Box 8953  
Madison WI 53708

Re: Update on FY19, 20, 21 Audit of the Injured Patients and Families Compensation Fund  
(Legislative Audit Bureau Report 22-6)

Dear Senator Cowles and Representative Macco,

In June 2022, the Legislative Audit Bureau (LAB) released Report 22-6, related to the Injured Families and Patients Compensation Fund (the Fund), a segregated Fund that provides excess medical malpractice insurance to eligible providers. The audit included a recommendation that the Office of the Commissioner of Insurance (OCI) report back to the Joint Legislative Audit Committee prior to October 28, 2022, regarding the following:

- Review of its financial reporting process; and
- Establish adequate procedures and controls to ensure accuracy of the Fund's financial statements.

On June 1, 2022, the Fund responded to the recommendations set forth in the report and has implemented all the proposed changes outlined in that response.

The Fund broadened its financial oversight significantly during the audit period with the addition of an outside CPA firm charged with reviewing the Fund's Annual Comprehensive Financial Report (ACFR) and separately issued financial statements. The firm has created a "mapping" document that bridges the ACFR to the Fund's separately issued annual financial statements. This document will be used to identify any errors between the ACFR and standalone financials and recognize any trends or anomalies in the financial reporting. This document will also be instrumental when completing the recommended year-to-year comparison of the financial statements. The Fund will start work on this report comparing FY 2021-2022 to FY

2022-2023 once the FY 2022-2023 statements are complete. The Fund also continues to utilize Clearwater, a software system that monitors all investment transactions for inconsistencies and errors.

The Fund will complete a comprehensive three-year actuarial review of the reserves going forward, broadening the scope of the review.

We are confident that, with the aforementioned changes and extensive use of external experts, the Fund has adequate oversight of its financials and reporting. In addition to the Fund's principal actuarial firm and actuarial auditing firm, the Fund also contracts with an outside accounting firm that specializes in insurance accounting principles, as well as a firm that has subject matter expertise in ACFR accounting. The Fund's accounting firm and the Board of Governors' Finance/Investment/Auditing Committee meet quarterly with the State of Wisconsin Investment Board to review the financial reports and identify any issue that may impact the Fund's financials. Similarly, the Board's Actuarial Committee meets with the actuarial firm on a quarterly basis and more frequently when needed. The chairs of both the Finance/Investment/Auditing Committee and Actuarial Committee report to the Board of Governors quarterly. The LAB also monitors these activities by regularly attending meetings of both committees and the Board of Governors.

Thank you for the opportunity to update the Committee on the Fund's progress in implementing the recommendations put forth by LAB in its recent audit report.

Sincerely,



Nathan Houdek  
Commissioner

Cc: Members, Jt. Legislative Audit Committee  
Legislative Audit Bureau