Office of the Internal Auditor

Strategy & Plan 2024

December 2023

CITIZENS
PROPERTY INSURANCE CORPORATION

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Executive Summary

Introduction

The Chief of Internal Audit oversees three complementary assurance functions within Citizens: Internal Audit, Enterprise Risk Management, and Internal Control monitoring. This plan describes our approach, focus, and expected deliverables for 2024 and beyond for each function.

Background and Approach

In alignment with our mission, the OIA uses a collaborative approach to deliver independent and objective assurance over the organization's internal control environment to the Audit Committee, Board of Governors, and management. This plan offers a prompt and comprehensive scope of internal audit, enterprise risk, and internal control coverage.

In developing this plan and approach, the OIA consulted with other internal and external assurance providers, including the Citizens' Inspector General, to ensure that our 2024 Plan supports or complements other operational plans.

Organization

The Chief of Internal Audit reports to the Citizens' Audit Committee and, with their guidance and the support of Citizens' Executive Management, sets up a team of audit, risk, and control professionals to provide assurance and consulting services that add value and improve the corporation's operations.
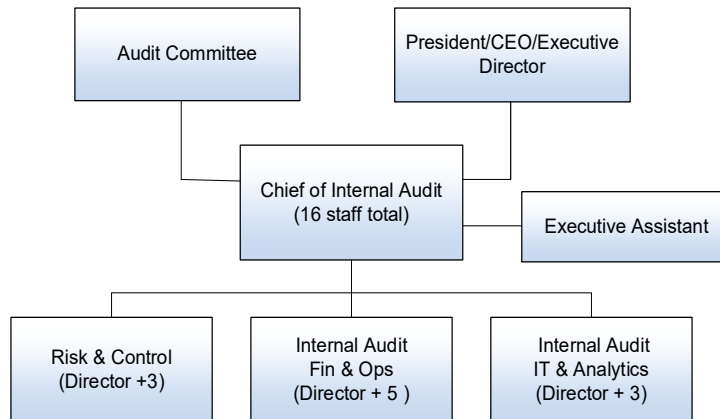
Our Strategy

The 2024 OIA approach aligns with Citizens' strategic imperatives to provide high-quality audit, risk, and control services. As a valued partner, the OIA team seeks opportunities to effectively utilize allocated financial and human resources to meet the expectations of key stakeholders. As such, we seek creative ways to maximize the value and impact of available audit, risk, and control resources, and to be a valued partner and seek opportunities to:

- Learn about and understand our business partners' environment and their challenges.
- Provide progressive thinking toward internal and external factors and trends that may prevent Citizens from successfully meeting its goals and objectives.
- Be aware of and apply leading audit, risk, and control practices.

Detailed Plan

This Plan provides a detailed description of our approach, focus, and expected deliverables for 2024 for each of the three OIA functions: Internal Audit, Enterprise Risk, and Internal Control.

Over the past 12 months, Citizens has stabilized internal business operations, enterprise portfolio of initiatives, workforce, and priorities to adequately serve stakeholders during unprecedented growth and position the organization to implement critical initiatives successfully. The organization has established a foundation for a pronounced emphasis on three Strategic Imperatives transitioning into 2024 and beyond focused on Depopulation, Customer Experience, and Emergency Assessments:

- Promote depopulation and optimize access to private-market coverage for Citizens' applicants and policyholders.
- Understand and enhance the customer experience by soliciting feedback, gauging satisfaction, and optimizing service capabilities and touchpoints.
- Reduce or eliminate the risk for Citizens' policyholders and all potentially impacted Florida policyholders by minimizing the likelihood, timing, and amount of emergency assessments.

In support of these strategic imperatives, the organization has identified three flagship initiatives and two critical initiatives of significant focus during 2024. The three flagship initiatives focus on the implementation of Citizens' core business systems over the next 6 to 18 months, which include Citizens Eligibility Re-imagined (CitRe), Enterprise Litigation Management Solution (ELMS), and Citizens Business Insurance Suite (CBIS). In addition, the organization is focusing efforts on two critical initiatives: Identity and Access Management: Identity Governance and Administration (IAM:IGA) and Unified Communication as a Service/Contract Center as a Service (UCaaS/CCaaS). Internal Audit is engaged in all of these initiatives during 2024 through our assurance, advisory, and project services.

1. Internal Audit

Internal Audit follows a detailed annual planning process and prepares a themes-based audit plan, considering the possibility of dynamic risk fluctuations and process changes throughout the year. The audit plan continuously evolves to support our dynamic risk environment, focusing on current and emerging reputational, compliance, operational, information technology, and financial risks. Internal Audit "rebalances" audit activities to achieve the most significant impact in a rolling audit plan to ensure adequate focus on Citizens' strategic issues and critical processes.

Internal Audit's primary objective is to determine whether Citizens' network of governance processes, risk/opportunity management, and internal control, as designed and represented by management, is adequate and functioning in a manner to ensure that:

- Risks/opportunities are appropriately identified and managed.
- Significant financial, managerial, and operating information is accurate and timely.
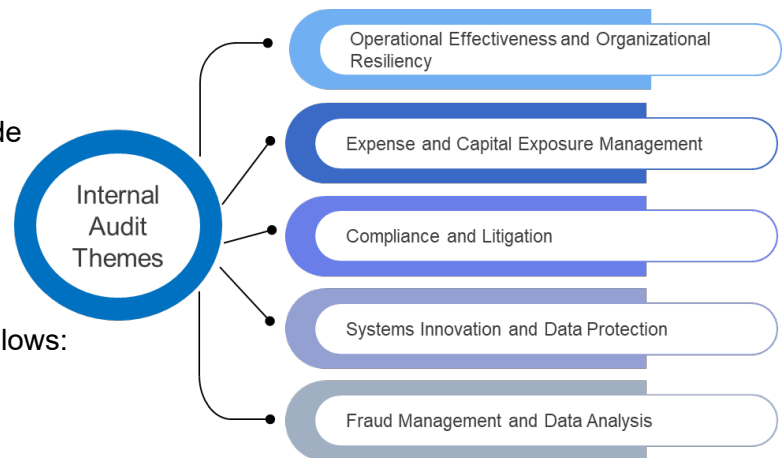
Detailed Plan

- o Employee actions comply with policies, procedures, and applicable laws and regulations.
- o Resources are sourced economically, used efficiently, and protected adequately.
- o Programs, plans, and objectives are achieved.
- o Significant legislative or regulatory issues affecting Citizens are recognized and addressed appropriately.

After completing a detailed analysis of Citizens' strategic imperatives, flagship initiatives, and critical initiatives, considering management's concerns, and Internal Audit's risk assessment, we developed specific audit themes to identify planned audit activities and coverage. Themes-based audit planning helps us determine, consolidate, and provide high-level insights into audit focus areas.
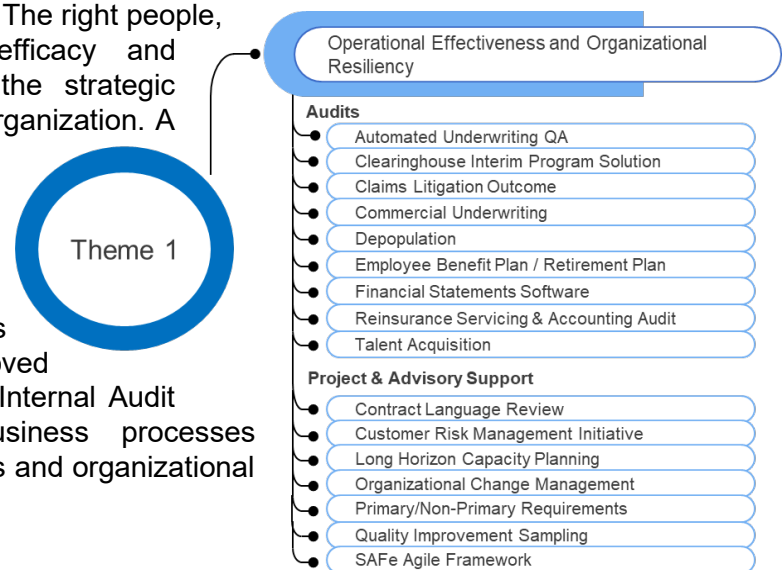
Audit Themes

Our audit themes consolidate and provide high-level insights into the year's audit focus areas. As the year progresses, Internal Audit will use a quarterly rolling risk assessment process to identify engagements to be selected for every reporting period. The 2024 themes are as follows:

Internal Audit Themes

- Operational Effectiveness and Organizational Resiliency
- Expense and Capital Exposure Management
- Compliance and Litigation
- Systems Innovation and Data Protection
- Fraud Management and Data Analysis

a. Operational Effectiveness and Organizational Resiliency

Traditionally, corporate effectiveness measures how successful an organization is in reaching the goals it set out to achieve. The right people, processes, and structure create efficacy and efficiency, which leads to meeting the strategic imperatives and initiatives set by the organization. A variety of areas may contribute to corporate effectiveness, such as faster, leaner, and more cost-effective business processes, improved digital adoption, more efficient use of technology, management tools such as policies and procedures, and improved customer and employee experiences. Internal Audit will assess several significant business processes contributing to operational effectiveness and organizational resiliency.

Theme 1

Operational Effectiveness and Organizational Resiliency

Audits
- Automated Underwriting QA
- Clearinghouse Interim Program Solution
- Claims Litigation Outcome
- Commercial Underwriting
- Depopulation
- Employee Benefit Plan / Retirement Plan
- Financial Statements Software
- Reinsurance Servicing & Accounting Audit
- Talent Acquisition

Project & Advisory Support
- Contract Language Review
- Customer Risk Management Initiative
- Long Horizon Capacity Planning
- Organizational Change Management
- Primary/Non-Primary Requirements
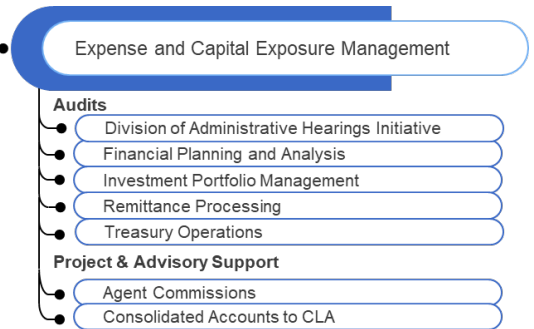- Quality Improvement Sampling
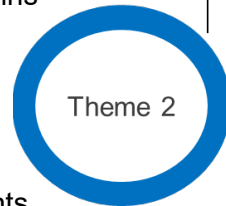- SAFe Agile Framework
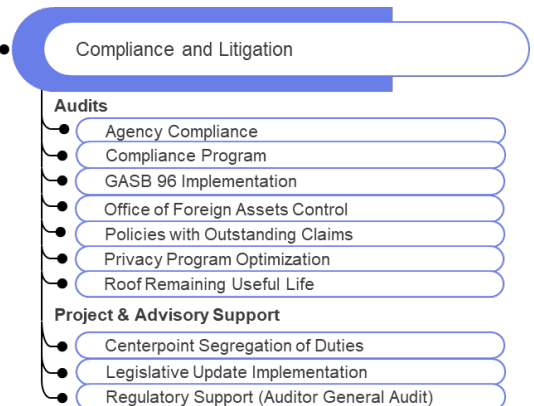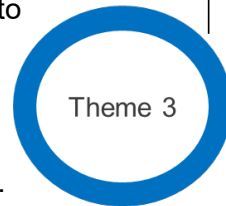
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b. Expense and Capital Exposure Management

Citizens continue developing and improving existing strategies, programs, and processes geared toward reducing operating expenses and financial exposure as the organization grows exponentially. The organization remains focused on achieving a robust financial control environment and maintaining acceptable financial ratios. At the same time, it will ensure the protection of a reasonable portion of the surplus capital by combining three main accounts into one account to mitigate the risk of assessment to Citizens' policyholders and policyholders in the state of Florida. Internal Audit will assess several important business processes that contribute to efficient financial planning, cost management, and reinsurance accounting.

Expense and Capital Exposure Management

Theme 2

Audits
- Division of Administrative Hearings Initiative
- Financial Planning and Analysis
- Investment Portfolio Management
- Remittance Processing
- Treasury Operations

Project & Advisory Support
- Agent Commissions
- Consolidated Accounts to CLA

c. Compliance and Litigation

Each year, the Florida legislative session produces several bills that may affect Citizens' business processes and systems. Citizens responds to these changes by ensuring that internal processes and procedures are adjusted to accommodate compliance with current regulations. Compliance programs are designed to integrate ethical standards into the daily business activities of an organization through communication, education and training, monitoring, investigation, detection, and reporting. Additionally, Citizens is experiencing a massive influx of litigated claims and is focused on reducing claims litigation and enhancing litigation capabilities through developing and implementing innovative litigation and claims management practices. Internal Audit will provide assurance and advisory services to support the implementation of the processes and procedures.

Compliance and Litigation

Theme 3

Audits
- Agency Compliance
- Compliance Program
- GASB 96 Implementation
- Office of Foreign Assets Control
- Policies with Outstanding Claims
- Privacy Program Optimization
- Roof Remaining Useful Life

Project & Advisory Support
- Centerpoint Segregation of Duties
- Legislative Update Implementation
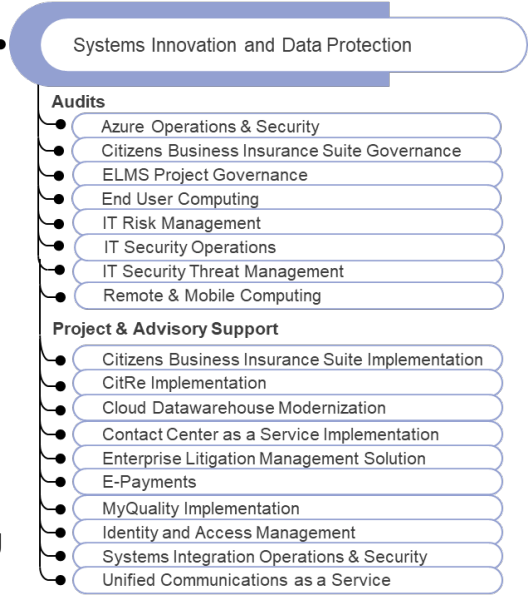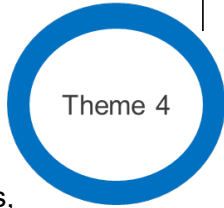- Regulatory Support (Auditor General Audit)

d. Systems Innovation and Data Protection

Citizens is changing how systems and services are delivered to employees and customers to improve productivity, eliminate the need to maintain excess capacity and related costs and meet rapid increases in demand. As noted in Citizens' focus on flagship and critical initiatives, applications currently residing on premises are being migrated to Software as a Service (SaaS) solutions, and several new products are being implemented for modernization and improved productivity. Internal Audit will participate in projects or perform audits to validate that appropriate controls remain in place as these changes occur.

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Cybersecurity protects organizations' computer equipment and information from unintended or unauthorized access, change, or deletion. Data can be in many forms, including customer lists, customer and financial details in databases, paper documents, etc. A cyber-attack may cause financial losses and damage the organization's reputation, so sound practices must be applied to protect data. IT Security and the Privacy Office continue to review and improve security and privacy policies, standards, and procedures to correspond with world events. Internal Audit will perform IT security audits due to the critical nature of controls and assess the adequacy of processes and controls. Internal Audit will provide assurance and advisory services to support the implementation of the processes and procedures, ensuring systems security and data protection.

Theme 4

Systems Innovation and Data Protection

Audits
- Azure Operations & Security
- Citizens Business Insurance Suite Governance
- ELMS Project Governance
- End User Computing
- IT Risk Management
- IT Security Operations
- IT Security Threat Management
- Remote & Mobile Computing

Project & Advisory Support
- Citizens Business Insurance Suite Implementation
- CitRe Implementation
- Cloud Datawarehouse Modernization
- Contact Center as a Service Implementation
- Enterprise Litigation Management Solution
- E-Payments
- MyQuality Implementation
- Identity and Access Management
- Systems Integration Operations & Security
- Unified Communications as a Service

e. Fraud Management and Data Analysis

Fraud Detection & Deterrence - Occupational fraud is a universally recognized business risk, and Internal Audit has a statutory commitment to prevent, detect, and respond to fraud, abuse, and mismanagement. This commitment is fulfilled through fraud training and awareness, risk assessment, analytics, and targeted audits.

Data Analytics - Internal Audit utilizes data analysis to support the integration of digital technologies into Internal Audit, Enterprise Risk, and Internal Control activities. In 2024, these integration efforts will be focused on:

- Consolidating our governance, processes, and data retention and reduction approaches.
- Strengthening our systems, infrastructure, and team.
- Expanding analysis and automation for Data Anomalies, Internal Control Testing, Risk Monitoring, and Audit Execution,

2. Enterprise Risk

Citizens recognizes the importance of establishing and maintaining a dynamic Enterprise Risk Management (ERM) approach as risks constantly evolve in our rapidly changing and complex business environment. In addition, leading risk management practices recommend transitioning from a traditional three-line model to dynamic risk governance. The three-line model creates distinct boundaries between Internal Audit, Enterprise Risk, and Management, with responsibility for mitigating risks based on functional roles, while dynamic risk governance is proactive and adaptive to holistically address risks in a changing and interconnected environment tailored to the specific risk and mitigation activities.

As we continually focus on enhancing the adaptability and maturity of our ERM Framework, our approach has become more dynamic to enable timely risk responses to address opportunities, challenges, and changes occurring within our risk landscape while proactively

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anticipating and preparing for emerging risk scenarios that may impact Citizens. In 2024, the Enterprise Risk team will continue efforts to transition to a dynamic risk governance approach fully.

Dynamic Risk Governance

The OIA has recently partnered with Gartner Inc. to provide risk and control information, insights, and consultative support to ensure alignment with the latest leading practices. According to Gartner, dynamic risk governance is the new model for managing risk holistically. In following Gartner's guidance, we improved our approach. This includes essential components of dynamic risk governance that consists of an agile, collaborative, innovative, and integrated approach that incorporates leading practices and is adapted to fit Citizens' unique needs.

AGILE   COLLABORATIVE   INNOVATIVE   INTEGRATED

Agile techniques enable timely and proactive risk identification, assessment, mitigation, and monitoring that support the organization in navigating the continual changes necessary to serve the needs of Floridians.	• Self-service capabilities • Engaging risk discussions • Interactive dashboards • Proactive requests • Emerging risk scenarios • Risk-informed decisions
Collaborative partnerships with business areas and cross-functional participation in risk assessments promote transparency and synergy, resulting in comprehensive risk perspectives and solutions to mitigate current and emerging risks.	• Risk Champions • Strategy & Planning • Strategic Evaluation Group • IT Security & Risk • Ethics & Compliance • Internal Audit • Collaborative Assurance Forum
Innovative and engaging ERM tools and techniques are designed to increase employee risk management competencies, adapt to changing organizational needs, and align with the latest leading risk practices.	• Creative approaches to promote risk awareness • Research and training on the latest risk practices • Incorporate business areas' input • Leverage industry maturity self-assessments
A strong risk culture is embedded throughout the organization, including the **integration** of the ERM Framework into various corporate policies, risk-based decisions, and leadership events. Our governance, risk and control	• Risk Steering Committee • Enterprise Risk Framework • Corporate Policies • Integrated GRC Solution • Risk topics in Leadership Events and articles

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> (GRC) software solution seamlessly integrates
> Citizens' risks, controls, and compliance.

2024 Plan

Throughout 2024, the Enterprise Risk team will continue to provide the enterprise risk services outlined above. As the team continues the transition to dynamic risk governance, specific areas of focus will include:

- Facilitating and enabling timely and relevant risk assessments.
- Expanding self-service capabilities.
- Pursuing opportunities for data analytics to provide additional risk insights.
- Exploring the correlation between existing organizational metrics and significant risks to potentially leverage key indicators to further monitor and measure risks.
- Developing innovative training programs designed to integrate risk considerations into daily activities.

effective internal controls

3. Internal Control

As the organization continues to experience significant growth due to market conditions, increasing reliance is placed on the effectiveness of our internal controls to mitigate the volume and complexity of risks. Sustaining Citizens' robust internal control environment during this transformative growth is critical to our continued success. Citizens' Internal Control Framework (ICF) provides insight into the organization's processes through control identification and collaborative assurance to document and validate key controls. Through the ICF, the Internal Control team guides and assists management to enhance internal controls while helping Citizens adapt to the changing and complex insurance environment.

Optimization of ICF

While the ICF is well established, opportunities exist to optimize the processes utilized to identify, document, and validate Citizens' key controls. In 2024, the Internal Control team will focus on refining processes to increase efficiency and effectiveness while maintaining high-quality standards that align with leading internal control practices.

Our top priorities include:

- Enabling a collaborative and scalable control identification and assessment environment that is highly adaptable and responsive to changes in processes, risks, and controls through:
  - Streamlining narrative and flowchart documentation to support agility.
  - Pursuing opportunities to automate portions of control self-assessment validation steps to reduce manual efforts, continuously identify potential exceptions, and obtain greater insight into possible concerns across an entire population.
  - Broadening Control Champion autonomy by expanding self-service features within AuditBoard.
- Continuing to partner with Ethics and Compliance and IT Security and Risk to establish connections that create efficiencies when control self-assessments performed through the

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ICF can be leveraged to support the validation of Citizens' adherence to one or more internal and external requirements such as laws, rules, regulations, corporate policies, and other frameworks.

- Performing ICF quality reviews and providing targeted education to strengthen the design and effectiveness of controls further.

Appendixes

Appendix 1 - Overview of Identified Audit Engagements

The following table provides a detailed overview of Internal Audit's view of risk and the engagement objective.

Title	Audit Engagement Justification and Objective
Agency Compliance	**Risk Rationale:** Agency Compliance is responsible for monitoring and auditing agent and support staff compliance with underwriting guidelines and standards, providing support to improve performance and documenting reasons for suspension or termination. Citizens' agent population has grown from approximately 7,500 agents to 10,885 agents. Agency Compliance supports the agents via round table meetings, live and online seminar training, forecasting, marketing, and product guide updates. **Objective:** To validate the Agency compliance functions, processes, and controls to ensure operational effectiveness in reducing compliance errors.
Agent Commissions	**Risk Rationale:** Citizens distributes insurance products through independent and captive agents. These agents are independent contractors and are paid commissions on new business and renewal policies. **Objective:** Evaluate whether the key controls associated with commission rates and calculations are efficient and effective to ensure that commissions paid to agents are accurate, authorized, and timely.
Automated Underwriting QA	**Risk Rationale:** Significant policy growth has affected the need to increase the number of policies that process through automated underwriting via straight-through processing of new business personal lines policies. Poor data quality or inaccuracy of the data on new business submissions could affect the cost benefits of straight-through processing by increasing the need for physical inspections of the risks and manual post-inspection reviews. Significant policy growth, in addition to the evolution of straight-through processing, warrants a review of the AUW underwriting impact of changes to policies and procedures. **Objective:** Evaluate the effectiveness and adequacy of the AUW processes and controls in place based on underwriting guidelines.
Azure Operations & Security	**Risk Rationale:** Citizens increasingly relies on the Microsoft Azure Cloud to host servers, identity and directory services, security services and resiliency. Although Azure is a Microsoft-managed and administered offering, Citizens remains accountable for its use cases and for its specific configuration and oversight responsibilities. **Objective:** To determine if processes and controls are designed and operating effectively regarding operations and security of Citizens Azure implementation. Specific items to review include hardening, conformance with technical configuration requirements, review of logging and monitoring, and design and monitoring of the cost-effectiveness of instances.
Cash Management & Treasury	**Risk Rationale:** The Cash Management & Treasury Department's responsibility includes managing wire transfers, debt service payments, and monitoring Automatic Clearing House (ACH) and positive pay transactions in accordance with Company guidelines. The ACH, wire transfer, and check

Appendix 1 - Overview of Identified Audit Engagements

Title	Audit Engagement Justification and Objective
	payment processes are used for transferring significant amounts of money between Citizens and vendors, policyholders, and other organizations and pose a significant risk if the proper controls are not in place and working effectively. **Objective:** To evaluate the adequacy and effectiveness of the processes, procedures, and controls associated with Treasury operation practices.
Centerpoint Segregation of Duties	**Risk Rationale:** Citizens currently has processes and technologies to manage users' digital and professional identities, allowing access to Citizens' systems and information based on the associated roles, Fusion. Although access to information systems and data is limited to authorized users, certain user roles and system workflows may cause segregation of duties concerns. This occurs when one user has been granted two or more conflicting tasks, creating the opportunity for unauthorized activity to occur. **Objective:** Internal Audit will embark on a project to address the challenges of user access provisioning for Centerpoint and identify automation solutions to monitor the segregation of duties conflicts.
Clearinghouse Interim Program Solution	**Risk Rationale:** An in-house interim solution for the Clearinghouse is intended to be a bridge until the implementation of the new vendor is completed in 2025. Increased agent requirements for new business and renewal policies to include proof of price eligibility at the point of sale, and proof of premium comparison eligibility at renewal. Agents are also required to remarket existing policies prior to their renewal. **Objective:** To evaluate the adequacy and effectiveness of new processes and procedures of increased documentation required from agents to facilitate the diversion of ineligible applicants and existing policyholders from Citizens into the voluntary insurance market.
Citizens Business Insurance Suite (CBIS) Governance Audit	**Risk Rationale:** Citizens sought competitive bids from vendors capable of providing a Citizens Business Insurance Suite (CBIS). After the completion of the procurement process, Citizens awarded the ITN to Guidewire as the primary vendor with a potential implementation date in 2024. **Objective:** This engagement seeks to objectively review the appropriateness of the CBIS project governance design and operation.
Citizens Business Insurance Suite (CBIS) Implementation	**Risk Rationale:** The current Guidewire Insurance suite currently manages over a million policies and is used to process thousands of claims each year. The solicitation of core business systems has been completed, and a new contract has been signed with Guidewire. The implementation of the Citizens Business Insurance Suite requires significant planning, and project governance to ensure the application supports Citizens' future needs. **Objective:** Internal Audit will participate in the implementation project team and provide process, risk, and controls advice, in addition to monitoring the project management process to ensure effective and timely escalation and handling of project issues.

🔍 Appendix 1 - Overview of Identified Audit Engagements

Title	Audit Engagement Justification and Objective
CitRe Implementation	**Risk Rationale:** CitRe is an innovative solution to ensure only eligible risks stay with Citizens. Through the procurement process, Applied was the awarded vendor to leverage the significant rating footprint and carrier management capability within its various products in support of its overall policy rate, quote, and bind services. This process will replace the Clearinghouse. **Objective:** Internal Audit will provide management advisory services to support the Applied implementation during 2024 and 2025 if needed. The scope will include a review of critical controls around the program and project management to ensure the program objectives are met.
Claims Litigation Outcome	**Risk Rationale:** Litigation of disputed claims continues to be a major contributor to rising costs across the industry with increasing trends. With over 19K pending litigated claims, Citizens has developed several initiatives not only to address the high volume of litigated claims but also to address the requirements of recently enacted legislative bills. **Objective:** Evaluate the processes, methodology and results of the initiatives implemented by management to reduce litigation costs and indemnity payments.
Cloud Datawarehouse Modernization	**Risk Rationale:** Citizens relies on an on-premises hardware and software platform that houses the data used for business reporting. However, this platform cannot support the increasing policy-in-force (PIF) count and other related business requirements. To support the changing business needs and to enable scalability, a new data warehouse is envisioned to be implemented in the cloud. **Objective:** To participate on the project team and provide process, risk, and controls advice and to monitor internal requirements, system control implementation, cloud migration, and information management.
Commercial Underwriting	**Rationale:** Significant policy growth in commercial lines has required a substantial staffing increase to process and underwrite new business policies. Underwriters are tasked with in-depth reviews evaluating large structures, often many buildings for one property, including the determination of accurate exposure evaluations critical to ensure proper eligibility. Commercial PIF as of August 2023 is 11,022, increasing approximately 400% in the past 24 months. The A-rated policies increased from 11 in 2019 to 1,046 in 2023, with increased exposure of $38B. **Objective:** To evaluate the adequacy and effectiveness of controls, practices, and processes applied in the evaluation of commercial risks.
Compliance Program	**Risk Rationale:** Citizens, as a property insurance company, must have a compliance program to ensure the organization follows applicable state and federal regulatory requirements. The Compliance function, through a network of Compliance Champions, annually reviews, updates, and certifies compliance with applicable laws, rules, and regulations. A 2021 Internal Audit identified the need for significant enhancements to the compliance

Appendix 1 - Overview of Identified Audit Engagements

Title	Audit Engagement Justification and Objective
	program governance oversight and the need for compliance roles with accountability and authority within the organization. **Objective:** To evaluate whether process and control enhancements have been implemented and are working effectively.
Consolidated Accounts to CLA	**Risk Rationale:** Pursuant to §627.351(6), F.S., and its plan of operation, Citizens has historically offered property insurance through three different accounts: the personal lines account, the commercial lines account, and the coastal account. These accounts are financially independent of one another and have separate claims-paying resources and capacities. During the 2022 Special Legislative Session, the Florida Legislature passed SB2A authorizing Citizens Property Insurance Corporation to consolidate its three separate accounts into a single Citizens account, subject to specific requirements. If established, the single account would allow Citizens to access its entire surplus to pay claims. This will limit the potential surcharge or assessment on policyholders – from one charge per account to a single surcharge if the corporation runs a deficit. **Objective:** Internal Audit will participate on the project team and provide process, risk, and controls advice for consolidating the accounts.
Contact Center as a Service Implementation	**Risk Rationale:** When migrating critical infrastructure and applications to cloud services, ineffective implementation processes may lead to business disruption or unnecessary expenses. Reliable contact center services are important not only to daily business operations but, more significantly, to Citizens' call centers, which support agents and policyholders. **Objective:** IT management requested that Audit support this project in an advisory capacity. Internal Audit will provide advisory services and will perform a review of the contact center solutions to ensure they include appropriate controls and adequately support business operations.
Contract Language Review	**Risk Rationale:** Citizens' business model expands and contracts operations in alignment with policy growth and contraction using 400+ contracted vendors. Internal Audit has been requested to perform a process advisory to see if any enhancements are needed to the contract language with a focus on data security GDPR, privacy laws CCPR, and CCPA. **Objective:** Internal Audit will provide advisory services by performing a review of the contract language specific to data security GDPR, privacy laws CCPR, and CCPA and make recommendations to enhance or support business operations.
Customer Risk Management Initiative	**Risk Rationale:** The Inbound Customer Care Center manages inbound calls from agents, policyholders, and mortgage companies, assisting callers in understanding the overall insurance process and setting appropriate expectations to enhance the customer experience. Citizens' PIF has significantly increased in the past 24 months, increasing call volume. The expected heavy wave of depopulation of policies, in addition to the Senate

🔍 Appendix 1 - Overview of Identified Audit Engagements

Title	Audit Engagement Justification and Objective
	Bill 2A enacted primary/non-primary premium changes, is expected to have a significant increase in consumer calls. **Objective:** To evaluate the effectiveness, efficiency, and consumer experience with the Customer Care Center processes and controls due to increased call volume.
Depopulation Audit	**Risk Rationale:** There is an expected heavy wave of depopulation of policies due to increased market interest. SB2A legislation produced updates to the Depopulation program and introduced new eligibility requirements to determine if the policy will be allowed to remain with Citizens when a takeout company's estimated premium offer falls within 20% of the estimated Citizens renewal premium. If the renewal premium is more than 20%, and the policyholder does not respond with their choice to stay with Citizens, then their policy will be assigned to the carrier with the lowest premium. The new way of handling depopulated policies brings additional reputation risk. **Objective:** Evaluate the adequacy and effectiveness of new processes and controls for the Depopulation program implemented for Personal Lines assumptions and requirements of participating Takeout Companies.
Division of Administrative Hearings Initiative	**Risk Rationale:** Citizens introduced policy language allowing for either party in a disputed claim to request resolution through the Division of Administrative Hearings (DOAH) of the State of Florida. This additional method of alternative dispute resolution (ADR) seeks to resolve disputes in an expedited manner. **Objective:** Evaluate the process, methodology, and results of the DOAH initiative implemented by Citizens to resolve disputed claims.
Enterprise Litigation Management Solution Implementation	**Risk Rationale:** Citizens utilizes an application to manage all aspects of litigated claims, including document handling, communication with outside counsel, and billing, among others. The Enterprise Litigation Management Solution (ELMS) is an integral part of the Claims Litigation process in support of controlling costs and ensuring a strong financial operating environment. **Objective:** Internal Audit will participate on the project team and provide process, risk, and controls advice for the implementation of the Enterprise Litigation Management Solution (ELMS).
Enterprise Litigation Management Solution Project Governance	**Risk Rationale:** Citizens sought competitive bids from vendors capable of providing an Enterprise Litigation Management Solution (ELMS). After the successful completion of the procurement process, Citizens awarded the ITN to Litify as the primary vendor with a potential implementation date in 2024. **Objective:** This engagement seeks to objectively review the appropriateness of the ELMS governance project design and operation.

Appendix 1 - Overview of Identified Audit Engagements

Title	Audit Engagement Justification and Objective
Employee Benefit Plan / Retirement Plan	**Risk Rationale:** Citizens' retirement savings plan provides tax-deferred contributions and earnings, as well as a discretionary match contribution to supplement employees' existing retirement benefits. Recently, the Plan Administrator had a discrepancy over the investment of retirement funds (interest payouts on one of the investment products), which was identified by Citizens, and is in the process of correcting the retirement accounts impacted. Citizens employees have approximately $104 million invested with the vendor. **Objective:** To assess the effectiveness of controls over the retirement plan administration and ensure the funds are monitored and managed in accordance with the plan and align with Citizens' Retirement strategy. Internal Audit will evaluate the adequacy and effectiveness of controls to ensure the vendor is providing accurate services.
End User Computing	**Risk Rationale:** End-user computing, where business users implement, maintain, and develop solutions with limited to no involvement from IT, is increasing at Citizens. This empowers users by enabling business functionality and insight into data with increased agility. The related confidentiality, integrity, accuracy, completeness of data and contractual risks may not always safeguard. **Objective:** To determine if processes and controls are designed and operating effectively regarding oversight of end-user computing. Important aspects include adherence to Citizens' policies, standards and guides around procurement, security, interoperability, non-duplication, data retention and disposal and reliability.
E-Payments	**Risk Rationale:** Citizens use a third party to process online premium payments made through the external website. Processing payments via an Automatic Clearing House (ACH) is more efficient than processing checks manually. Citizens is migrating to a new vendor for these premium payments in 2023. The primary concern is the security of ACH payments and related financial information. Inadequate monitoring can lead to the loss of money and financial information and expose Citizens to privacy risks. Citizens will not house any credit card information and is not subject to PCI requirements. **Objective:** To provide process, risk, and control advice for implementing the new ePayments Software.
Financial Planning and Analysis	**Risk Rationale:** Citizens successfully launched the budgeting module in Centerpoint in 2018, and training was conducted for budget users throughout the organization. As a result, a continuous budgeting model was adopted throughout the organization in 2019. The need for continuous budgeting and strategic forecasting is critical to have a clear understanding and communication surrounding financial expectations to make strategic decisions and adjust resource allocations in response to changing conditions.

Appendix 1 - Overview of Identified Audit Engagements

Title	Audit Engagement Justification and Objective
	Objective: To evaluate the adequacy and effectiveness of controls related to the Financial Planning and Analysis process.
Financial Statements Software	**Risk Rationale:** Citizens replaced the financial statement software and vendor at the end of 2022 and the beginning of 2023. **Objective:** To evaluate the adequacy and effectiveness of controls related to the new financial statement software.
FRISS - SIU System	**Risk Rationale:** Individual and organized crime groups are a significant issue affecting Citizens. FRISS is a new software program implemented in 2023 to enhance fraud-fighting efforts by delivering a higher volume of potentially fraudulent cases to increase the speed of detection and investigation. It will also use predictive analytics logic in real-time through advanced data modeling techniques and algorithms. **Objective:** To evaluate the effectiveness of the new FRISS software and validate that key controls are effectively working to identify fraudulent activity within the claims environment that is actionable.
GASB 96 Implementation	**Risk Rationale:** The Governmental Accounting Standards Board Statement 96 (GASB 96) will set a standard for the accounting and financial reporting for subscription-based information technology arrangements (SBITA) for government end users. Changes in accounting policies and presentation impact the financial statements of Citizens. Failure to meet reporting requirements could lead to inaccurate financial statements. **Objective:** To evaluate the adequacy and effectiveness of controls related to the new financial statement reporting associated with underlying IT SBITA contracts.
Identity and Access Management	**Risk Rationale:** The IT Security and Risk department is implementing an enterprise-wide strategy to consolidate and centralize user identity, access management processes, and technology capabilities. These are significant in the role of cybersecurity. New security applications that will provide Identity Governance and Administration, and Access Management for applications are being procured, with implementation targeted to begin in 2023. **Objective:** To provide advisory services and review processes and controls related to the new software solutions implemented to validate that controls align with policies, standards, and common practices.
Investment Portfolio Management Audit	**Risk Rationale:** Citizens' total portfolio market value for July 2023 was $9.81 billion, of which approximately 82% ($8.04 billion) is managed by ten external investment managers, and 18% (1.77 billion) is managed internally. When considering the multiple portfolio management firms and the volume of purchases and sales made in any given period, the risk of non-compliance is increased. It may result in insufficient liquidity and/or loss of principle. In addition, in Q4 2021, a new SaaS vendor, Clearwater Analytics, took over the compliance management, monitoring, and reporting process for the investment portfolio.

Appendix 1 - Overview of Identified Audit Engagements

Title	Audit Engagement Justification and Objective
	Objective: To evaluate and assess the adequacy and effectiveness of controls related to investment portfolio management.
IT Risk Management	**Risk Rationale:** The availability, confidentiality, and integrity of information systems that Citizens relies upon from its systems depend on the implementation and continued execution of strong internal controls. The Information Technology Risk Management team achieves this through risk assessment, risk treatment, and regular monitoring of internal controls. **Objective:** To evaluate and assess the adequacy and effectiveness of IT Risk Management processes and the alignment of these processes with the ERM Framework.
IT Security Operations	**Risk Rationale:** The Information Security & Risk security operations center, with vendor and other IT groups' support, is responsible for protecting Citizens against cyber threats. Around-the-clock monitoring of Citizens' networks and solutions is performed. Potential security incidents are investigated and addressed. Cyberattacks are addressed through the invocation of applicable protocols. **Objective:** To evaluate and assess the robustness and adequacy of IT security operations at Citizens. Important aspects include the completeness of assets and solutions included in the monitoring of the environment, the quality of automation of potential irregularity patterns alerting, the mean time of responses to alerts, the integration of end-point protection solutions with security and incident event management platform, staffing levels, the volume of prevented versus unprevented incidents, the volume of unresolved alerts and the degree of conformance of inclusion of industry alerts.
IT Security Threat Management	**Risk Rationale:** IT security threat management consists of the processes managed by Information Security & Risk to prevent cyberattacks, detect cyber threats, and respond to security incidents. Activities occur through identification, protection, detection, response, and recovery phases. **Objective:** To assess the robustness of the processes and controls around IT security threat management. Important aspects of IT security threat management include risk identification, utilization of industry knowledge resources and deployment of appropriate technology in the specific risk context of Citizens with consideration of the specific technology footprint.
Legislative Update Implementation	**Risk Rationale:** Citizens monitors the State of Florida legislative changes during the session, and once bills are signed impacting Citizens' processes, project teams are assembled to interpret and implement regulatory changes. **Objective:** To provide consultative advice related to controls of impacted business areas and the project management process to ensure effective and timely escalation and handling of project issues.

Appendix 1 - Overview of Identified Audit Engagements

Title	Audit Engagement Justification and Objective
Long Horizon Capacity Planning	**Risk Rationale:** Long Horizon Capacity Planning (Advisory) was requested as the organization has a well-established process quantifying demand for projects across the organization. However, there may be opportunities for improvement in capacity planning. Internal Audit has been requested to perform a process advisory to determine if any enhancements are needed to the process or tools. **Objective:** Internal Audit will provide advisory services by performing a review of the long-horizon capacity planning process and tools and make recommendations to adequately support business operations.
MyQuality Implementation	**Risk Rationale:** The Quality Improvement (QI) department provides customized department-specific quality assurance/control programs to monitor compliance with established policies and procedures. Management has procured and is undergoing implementation of myQuality to enhance its quality assurance management capabilities and replace the existing Legacy QCenter application. **Objective:** Internal Audit will provide assurance over the implementation of the new quality management solution to assess and evaluate the effectiveness of controls and processes developed.
Office of Foreign Assets Control	**Risk Rationale:** The Office of Foreign Assets Control (OFAC) of the Department of Treasury administers and oversees a series of laws that impose economic and trade sanctions against hostile entities. U.S. insurers are among organizations that must exercise due diligence in checking the specially designated nationals (SDN) list to ensure that the individuals they insure are not specially designated nationals. An audit was performed in 2020, requiring the enhancement of OFAC processes and controls related to expanding screening practices and developing a sanctions compliance program. **Objective:** To evaluate and assess whether process and control enhancements have been implemented and are working effectively.
Organizational Change Management	**Risk Rationale:** Organizational Change Management (OCM) is a framework for managing the effect of new business processes, modern technology, shifting economic landscapes, or changes in organizational structure and culture within an enterprise. Internal Audit has been requested to perform a process advisory to determine if any enhancements are needed to the OCM process to enhance support of Citizens flagship and critical initiatives for 2024. **Objective:** Internal Audit will provide advisory services by performing a review of the Organizational Change Management process and tools and make recommendations to enhance or support business operations.
Policies with outstanding Claims	**Rationale:** Senate Bill 7052 was implemented for Citizens and other carriers who are prohibited from canceling policies or non-renewing policies if there is an open claim or repairs haven't been made, restricting the ability

Appendix 1 - Overview of Identified Audit Engagements

Title	Audit Engagement Justification and Objective
	to take any adverse action. If a claim is reopened, this may cause Citizens to keep risks on the book of business that would normally be ineligible. **Objective:** To evaluate the adequacy and effectiveness of the personal lines underwriting process to ensure risks falling into this category are not canceled or non-renewed.
Primary/Non-Primary Requirements	**Rationale:** Recent Florida legislation approved Citizens to charge rates based on the status of the residence as "primary" or "non-primary." "Primary residence" is a property that the policyholder or tenant occupies for more than nine months out of the year. Any homes occupied nine months or less are classified as non-primary. Compliance with eligibility depends on proper documentation for the correct premium to be applied. **Objective:** Internal Audit will provide consultative advice on procedures and controls of impacted business areas and monitor the project management process to ensure effective and timely handling of project issues.
Privacy Program Optimization	**Risk Rationale:** Citizens uses private information for business purposes to serve their customers and the public or as required by law. The established Privacy and Information Security policies and standards are designed to ensure that the privacy, integrity, confidentiality, and security of Citizens' data are preserved. The need to optimize a privacy program is the natural result of new technological solutions, processes, and regulatory requirements. **Objective:** Assess the framework, processes, and controls implemented as part of Citizens' data privacy program and ensure that it is updated as needed.
Quality Improvement Sampling	**Risk Rationale:** Citizens has two Quality Improvement functions, one for Claims and one for Enterprise Services. As Citizens' policy count has significantly increased over the past few years, operational decisions were made regarding sampling sizes in alignment with resources. **Objective:** QI Management requested Internal Audit to review the sampling methodology and sizes being utilized by the various QI programs for appropriateness.
Regulatory Support (Auditor General Operational Audit)	**Risk Rationale:** Internal Audit, in its liaison role, is responsible for coordinating with the Florida Auditor General's 2023 Operational Audit. This audit is expected to be completed by August 2024. Most of the coordination efforts constitute meeting planning, information request tracking, delivery, and ensuring the examiners/auditors receive the correct information in a timely manner. **Objective:** To coordinate the regulatory audit across the organization.
Reinsurance Servicing & Accounting Audit	**Risk Rationale:** Traditional reinsurance is a historically proven financial tool that helps Citizens manage significant and difficult-to-predict financial impacts by transferring losses to other organizations, which can free up capital or provide additional capacity to manage significant losses from catastrophic events. Hurricane Ian devastated several counties in Florida in

🔍 Appendix 1 - Overview of Identified Audit Engagements

Title	Audit Engagement Justification and Objective
	September of 2022, which initiated substantial reinsurance recoveries. A reinsurance application has been purchased and will be implemented during Q3 and Q4 2023. The application is needed to initiate and track progress and payment claims submitted to reinsurance companies which can last for 5 years before commutation occurs. **Objective:** To review and assess the effectiveness of the processes in place to submit reinsurance claims and recoveries.
Remittance Processing	**Risk Rationale:** Remittance processing manages the receipt and processing of premium payments, which is a critical support function of the insurance application and policy renewal process. With the significant increase in policy growth over the past few years, there has been an increase in payments. Total checks processed have increased by 138% compared to 2022 from 318,890 to 760,913 payments for the same period of time January through August. **Objective:** Evaluate the adequacy and effectiveness of controls related to the remittance processing area.
Remote & Mobile Computing	**Risk Rationale:** Citizens supports employees and contractors that work remotely fully or in part through physical equipment and software solutions. However, mobile and remote computing introduces the risk of unauthorized access and loss of restricted Citizens' data. **Objective:** To assess the extent and coverage of training, processes, controls and technology in place to secure Citizens' data and systems.
Roof Remaining Useful Life	**Rationale:** Legislative changes enacted by Senate Bill 2-D increased the eligible Remaining Useful Life from three years to five years on a roof that exceeds the maximum age. Citizens will kick off a virtual inspection program in Q4 of 2023 to address roof conditions. **Objective:** To evaluate the adequacy and effectiveness of the Virtual Roof Inspection Program to reduce ineligible risks.
SAFe Agile Framework	**Risk Rationale:** Scaled Agile Framework (SAFe) is a framework for scaling agile practices across large and complex organizations. It helps deliver value faster, improve quality, increase productivity, and enhance employee engagement. It provides a simple experience for software development through a set of organization and workflow patterns intended to guide enterprises in scaling lean and agile practices. Internal Audit has been requested to perform a process advisory on the framework compared to another comparable agile framework to determine if any process enhancements are needed or if there are other frameworks more suited to Citizens. **Objective:** Internal Audit will provide advisory services by performing a review of the SAFe process and tools and make recommendations to adequately support business operations.

Appendix 1 - Overview of Identified Audit Engagements

Title	Audit Engagement Justification and Objective
Systems Integration Operations & Security	**Risk Rationale:** With the continued implementation of cloud solutions and the increased reliance on integrating these solutions with on-premises solutions, the complexity of operations and security poses significant risks for Citizens from an exposure and impact perspective. Integration of cloud and on-premises solutions relies on legacy and contemporary automated programming interfaces (APIs) plus middleware, file transfer extract, transform and load (ETL) technology. **Objective:** To determine if processes and controls such as those around configuration, hardening, encryption of data-in-transit and data-at-rest, administrative privileges, monitoring and logging, public key infrastructure certificates, no-repudiation, completeness, and accuracy of data transfers are designed and operating effectively.
Talent Acquisition	**Risk Rationale:** Citizens faces their own unique set of challenges to retain and attract qualified talent. Florida's property insurance market instability and Citizens' exponential policy growth have created the need for more staff to manage the influx of policies, call center activity, and claims handling. As of August 31, 2023, there were 142 open positions at Citizens. Of the 142 open positions, 40.1% or 57 positions have been opened for between 31-60 days, while 19.7% or 28 positions have been opened for greater than 180 days. Therefore, recruiting qualified staff to fill these open positions is strategically important to ensure that Citizens continues to deliver the expected quality and standard of services to its customers. **Objective:** To evaluate and assess the adequacy and effectiveness of controls related to talent recruitment and employee retention processes to ensure staff recruitment and retention are aligned with leading marketplace practices where appropriate.
Unified Communications as a Service and Contact Center as a Service	**Risk Rationale:** When migrating critical infrastructure and applications to cloud services, ineffective implementation processes may lead to business disruption or unnecessary expenses. Reliable telephone and contact center services are important to daily business operations and Citizens' call centers that support agents and policyholders. **Objective:** To provide advisory services and review the new cloud telephony and contact center solutions to ensure they include appropriate controls and support business operations.

Appendix 2 – **OIA's View of Citizens' Process Universe**

OIA Process Universe		
Assurance	• Enterprise Risk Management	• Internal Control Framework
Claims	• Catastrophe Planning, Testing & Coordination • Claims Governance • Claims Legal Billing	• Claims Litigation • Claims Operations • Claims Vendor Management • Special Investigative Unit
Comm's, Legislative & External Affairs	• Corporate Communications • Insurance Technical Comm's	• Legislative & Cabinet Affairs • External Relations • Digital Communications
Consumer & Policy Services	• Customer Care Center • Workforce Management • Policy Services	• Citizens Insurance Services • Customer Correspondence
Enterprise Governance	• Corporate Governance	
Enterprise Operations	• Agency & Market Services • Enterprise Business Agility • Enterprise Strategy, Planning and Performance Measurement • Product Development – Applications, Forms & Rules	• Product Development & Rate Implementation • Project Portfolio Management • Purchasing • Quality Improvement • Underwriting • Vendor Management
Enterprise Operations (IT)	• Application Development & Delivery • Change & Release Management • Data Analytics & Warehouse • DevOps & Software Quality Assurance • Enterprise Architecture	• Enterprise Resiliency • Infrastructure & Operations • Security & Risk • Service Management • Strategy & Governance
Financial Services	• Accounts Payable • Cash Management & Treasury • Claims Accounting & Disbursements • Commissions Payments & Accounting • Financial Services Compliance • Corporate Analytics • Depopulation Billing, Settlements • Financial Close • Financial Planning & Analysis • Financial Reporting • Investments Accounting	• Investments Management & Compliance • Loss Reserve Development IBNR • Pre- and Post-Event Liquidity Bond Financing • Premium Accounting • Premium Invoicing, Refunds & Suspense • Premium Remittance Processing • Rate Development Actuarial • Reinsurance Servicing & Accounting • Risk Transfer Strategy & Execution • Unclaimed Property Processing & Accounting
Human Resources	• Compensation • Employee Benefits • Facilities Management • HR Information Management	• Learning & Organizational Development • Payroll • Talent Experience
Office of the General Counsel	• Claims Legal • Compliance • Corporate Services	• Ethics • Privacy • Records Management