

INTERNAL AUDIT

Irma Claims Litigation
Settlement

Audit Engagement

May 24, 2019





Audit Memorandum

Background

Citizens is committed to resolving pending Hurricane Irma litigation in a fair, efficient and timely manner in order to restore policyholders' properties to pre-loss condition without the need for protracted litigation. In order to accomplish this, Citizens has offered a settlement agreement applicable to Hurricane Irma litigation brought by Citizens' policyholders for loss to residential property. The offer allows for resolution of scope & pricing disputes through the Appraisal process. Additional terms of the offer include a flat-fee payment to the insureds' counsel for attorneys' fees and costs, as well as payment by Citizens for costs associated with the Appraisal process, including Appraiser and Umpire fees.

Objectives and Scope

The objective of this audit engagement was to evaluate the adequacy and effectiveness of the processes and controls established in order to manage the interim Irma Claims Litigation Settlement process at Citizens. Our scope included a review of the following areas:

- Process procedures
- Communication
- Eligibility due diligence
- Monitoring practices

Results

Results from our audit indicate that adequate and effective processes and controls were established to manage the interim Irma Claims Litigation Settlement process.

The underlying process and documentation were determined to be sufficient to support the interim settlement process. Total volume, as of 4/19/2019, was 443 lawsuits with accepted agreements, resulting in 389 lawsuits transferred to the appraisal process. It was determined that further audit work was not necessary, as the underlying controls were adequate to support the process and the overall risk was low, particularly in relation to the volume of accepted agreements.

We would like to thank management and staff for their cooperation and professional courtesy throughout the course of this audit.



Distribution

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