

# INTERNAL AUDIT

Assignment of Benefits Reform  
Implementation Project  
Engagement

September 5, 2019





## Advisory Memorandum

### Background

On April 24, 2019, the Florida Senate passed HB7065 addressing AOB Reform. The Governor subsequently signed the bill on May 23, 2019, with the law becoming effective July 1, 2019. The measure bolsters consumer protections by tightening policy language requirements for the execution, validity and effect of assignment of benefits agreements. The law also creates a formula to determine the award of attorney fees in cases between insurers and third parties in assignment of benefits litigation. The law is expected to curtail an exponential growth in AOB litigation and abuse that has contributed to rising insurance costs for Floridians.

In support of Citizens' strategic goal to ensure a strong financial operating environment, a cross-functional team ("AOB Reform Project Team") and formal program management approach was created to ensure compliance with HB7065 through modifying product forms, rates, process and systems, and data collection and eventual reporting via several individual and interrelated initiatives and activities.

### Objectives and Scope

Internal Audit (IA) provided advisory services in support of the project through consultative advice related to controls of impacted business areas and project management upon request, as well as confirm the effective and timely escalation and handling of issues.

### Results

The AOB reform implementation program management approach established critical success factors (objectives, metrics, key performance indicators (KPIs)) necessary to achieve a successful implementation, determine that processes are performing as expected, and KPIs that forecast how the AOB Project Team expects to be performing in the future. The AOB Reform Project Team was established, comprised of a Steering Committee and various cross-functional workgroups, to execute tactical and strategic tasks. The program management approach provided visibility, an opportunity for resolution on topics of discussion, allowed workgroups to align activities and associated metrics.

In accordance with the provisions of HB 7065, Citizens has taken several steps through traditional mail, email and social media to inform customers, agents and media outlets of the major provisions that went into effect July 1, 2019. Included in those efforts were letters sent to 429,300 policyholders informing them of the reform changes and associated benefits that should be realized as a result. Training of agents, adjusters, and internal staff has included an eBrief, classroom training, webinars, and job aids. Diligent efforts to develop new processes necessary to comply with the AOB reforms have been completed and include:



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- Establishment of dedicated AOB team and intake process within Claims to increase efficiency in management of AOB adjustor activities
- Revision and subsequent approval of rates to reflect AOB reform's impact to Citizens' policyholders
- Product form language modifications
- Guidewire and related systems enhancements to capture critical data for future compliance reporting
- Introduction of Power BI AOB dashboard reporting for operational and executive monitoring in order to comply with HB 7065

IA observed that risks were escalated as appropriate to workgroup leaders and the Steering Committee, with workgroup and Steering Committee meetings occurring regularly. As part of the program management approach, the project has established a risk management plan, including risk identification, risk analysis, risk response planning, and risk monitoring. The list of risks is reviewed periodically and updated as appropriate during the execution of the project.

Citizens' AOB Reform Project Team is currently focused on additional tasks to remain compliant with HB 7065 as followed:

- Product form language modifications approval from the OIR
- Exploring opportunities for Guidewire and related systems enhancements to further aid AOB processing activities
- Continue to identify internal and external threats to the success of HB 7065 reforms and effectively address in a timely manner
- Increase data collection quality and efficiencies, ensure data continues to be properly collected, and reporting structure is in place for Department of Financial Services (DFS) by January 2022

We would like to thank the project team and management for utilizing IA advisory services.



## Distribution

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