

Operational Compliance Governance

2019 Certification Results

Nancy Staff
Director of Ethics and Compliance Officer

November 12, 2019





Compliance Champion Network

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Operational Compliance Governance Framework

The ultimate goal of implementing the operational compliance governance framework is to foster continued full compliance by Citizens to all relevant laws, rules, and regulations (LRRs). This is being accomplished by using a systematic, documented, enterprise approach that retains operational flexibility.

This approach encompasses:

- Identification of all relevant LRRs
- Documentation of integration of LRRs into work processes, procedures, and corporate policies
- Education and training of appropriate staff
- Monitoring for adherence to LRRs
- Updating as requirements change
- Communicating changes to the appropriate staff and
- Addressing areas of noncompliance in a strategic risk based fashion

Compliance Champion Certification

This is an annual Enterprise project with the following goals:

- Identifying and reviewing of all relevant LRRs
- Documenting methods of:
 - Implementing LRRs in the business process
 - Monitoring for adherence to LRRs
 - Training and Communicating LRRs to appropriate audiences
- Certifying compliance with the LRRs
- Identifying areas of monitoring for compliance improvement.

Types of Compliance Elements

Laws, rules and regulations (directive, prohibition or informational)

All state, federal and local laws, rules, regulations, Court/OIR Orders or other mandates carrying the force of law that Citizens is required to follow.

- **Directive:** Requires Citizens to take an affirmative action. The certification process elicited information on implementation of, and compliance with, the directive.
- **Prohibition:** Requires Citizens or its employees to refrain from taking a certain action. The certification process elicited information on the level of awareness, training, and/or communication of the prohibition to the appropriate audiences.
- **Informational:** General statements with no specific activity required by Citizens thus no certification was necessary.

Corporate Policy

Corporate Policies that have been adopted by the ELT or BOG and that all employees are required to follow.

Voluntary Compliance

All state, federal and local laws, rules, regulations, or Court/OIR Orders that Citizens is not required to adhere to but that we have chosen to follow.

Best Practices

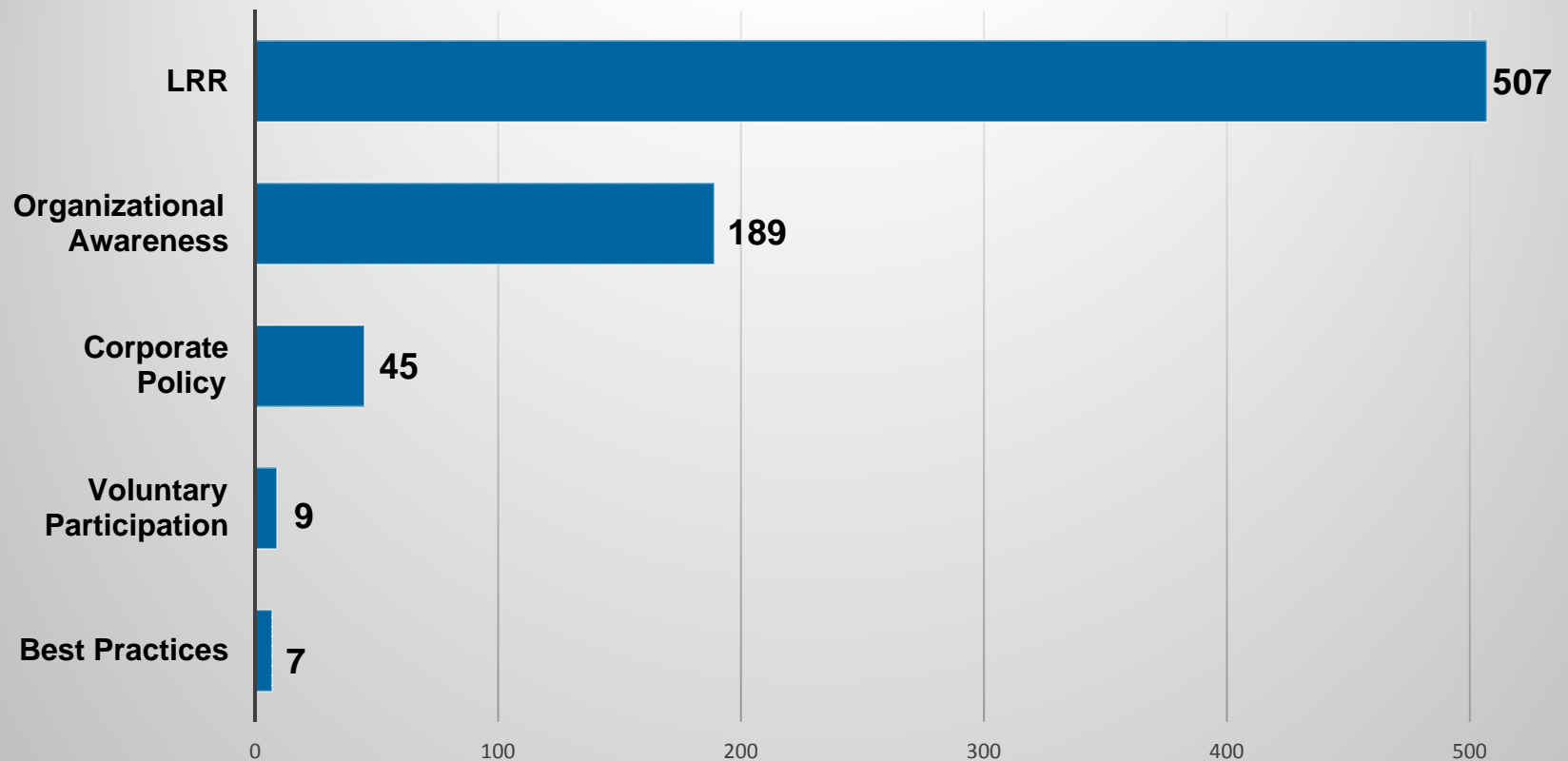
Industry standards or other guidelines that we either aspire to or currently follow.

Organizational Awareness

A catchall for LRRs, best practices, and industry standards that do not meet the definitions of the previous buckets but that Citizens wants to remain aware of because they are relevant to Citizens, the insurance industry or government entities in some significant way.

Number of Elements by Type

as of 8/31/2019

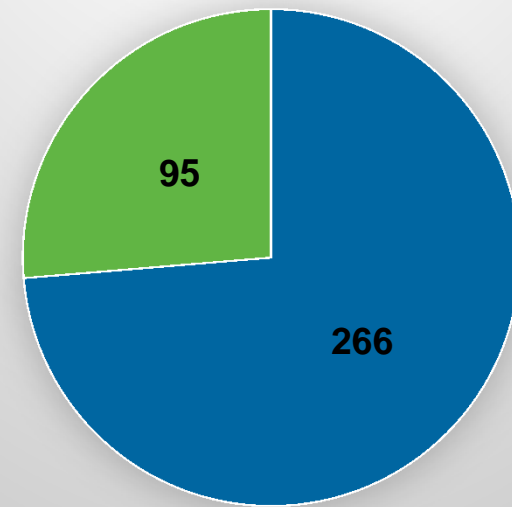


Compliance is shared across Business Areas and Divisions

Compliance with LRRs, in some cases, requires action from more than one business area. For example, several Privacy laws require compliance activities by Privacy, Underwriting, Quality Improvement, Communications, and Claims. Each area has a compliance responsibility for specific components of the law, which when viewed as a whole, ensure Citizens compliance overall.

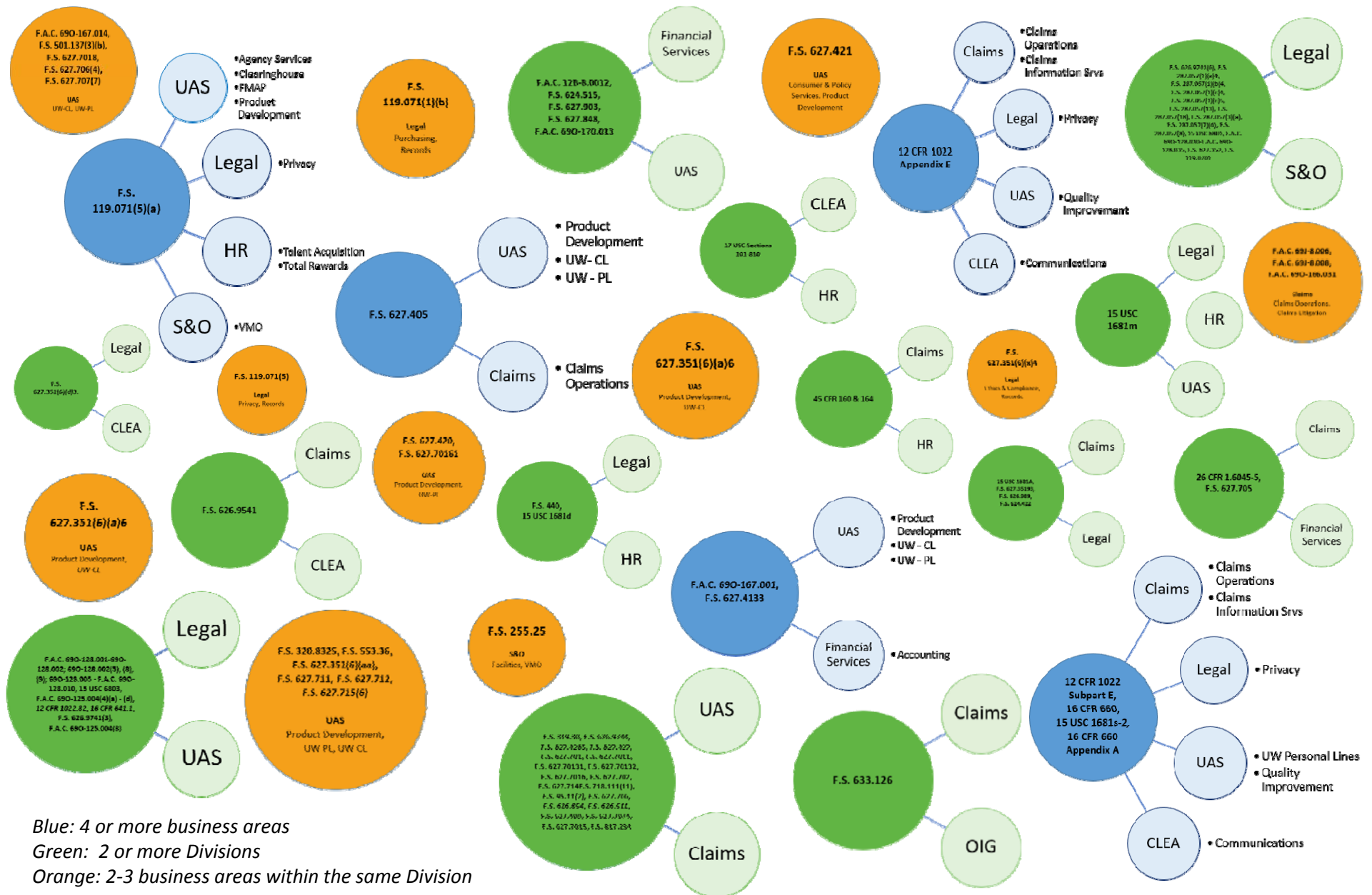
Of the 507 LRR elements in the inventory, there are 361 distinct laws being managed. The chart illustrates the compliance responsibility of the 361 laws.

Discrete laws with Single or Multiple Areas Responsible for Compliance



- Single Area Responsible for Compliance
- Multiple Areas Responsible for Compliance

Laws with Multiple Areas Responsible for Compliance



Certification Process

Addressed LRRs and asked the following questions:

- Is the LRR element currently implemented in the business process?
- Are the implemented Directives currently monitored for compliance?
- Of the elements monitored for compliance, which methods are used?

3rd Party contractual responsibility

Automated tools

Dedicated QA unit

Formal/informal assessment

Interviews

Other methods

Manager Review

Peer review

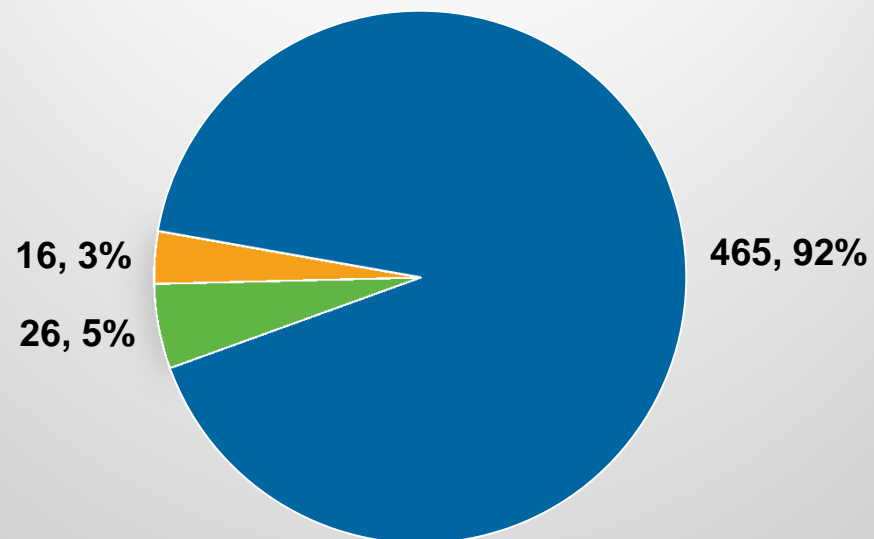
Spot checks/random sample

Surveys

Tracking documents

- Identify automated tools used for monitoring (e.g. Insurance Suite, CenterPoint)
- As a result of compliance monitoring are you reasonably certain there is compliance with the LRR element?

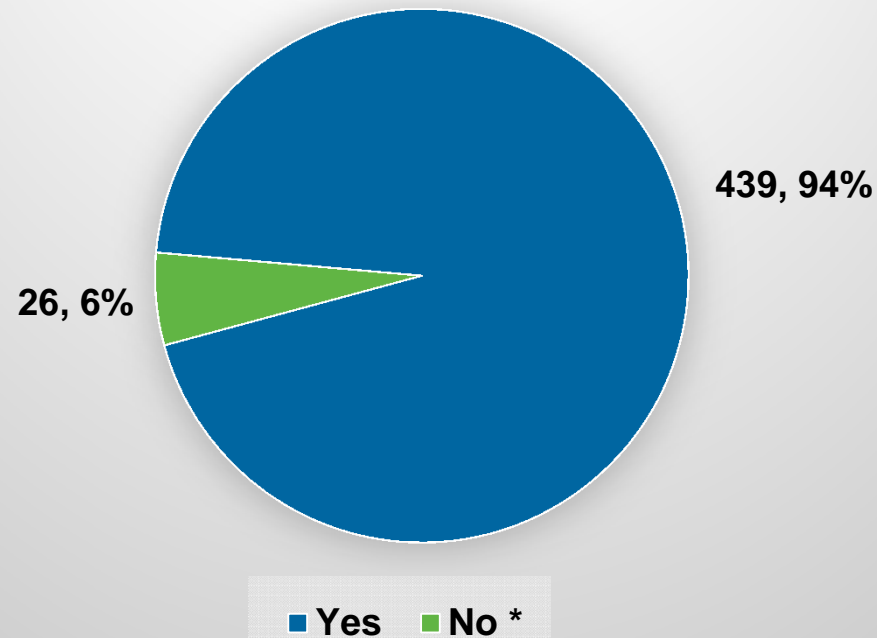
Is the LRR element currently implemented in the business process?



■ Yes, as a directive ■ This LRR is a prohibition ■ No *

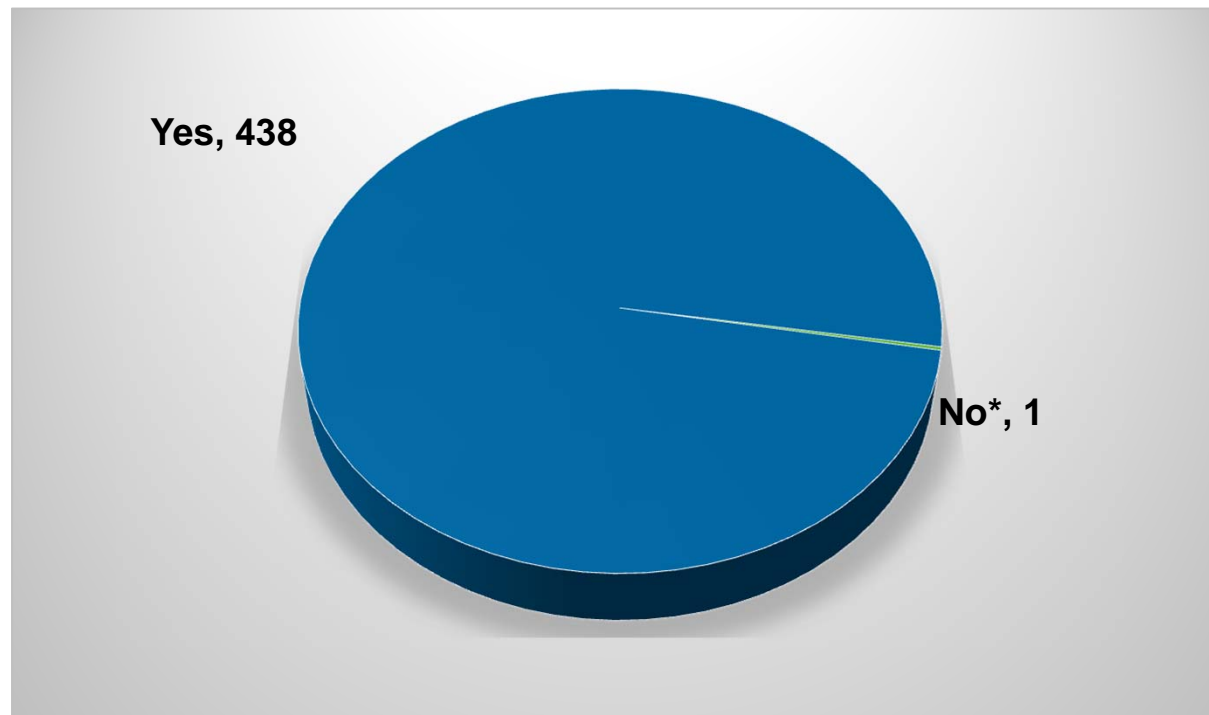
* There are a number of valid reasons why no would be appropriate, such the LRR is a definition, obsolete, etc. The Ethics & Compliance Officer is coordinating with the appropriate Champion to ensure implementation strategies are developed where appropriate.

Is the LRR element currently monitored for compliance?



*There are number of valid reasons why not monitored would be appropriate, such as the statutory requirement was a one time directive and it has been accomplished. The Ethics & Compliance Officer is coordinating with the appropriate Champions to ensure monitoring is implemented where appropriate.

As a result of compliance monitoring are you reasonably certain there is compliance with the LRR element?



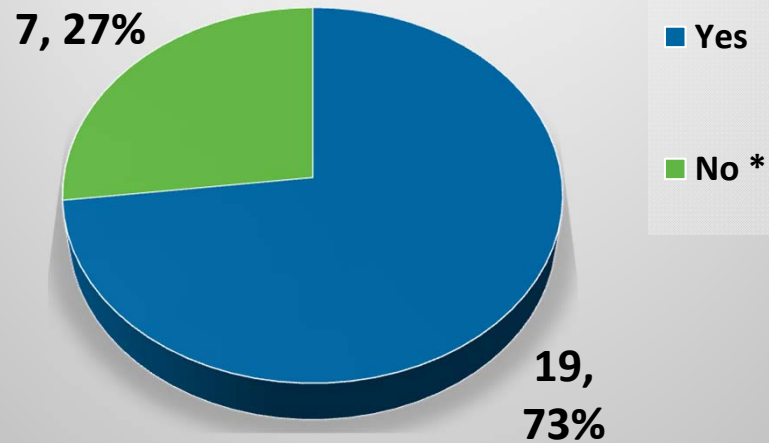
* **18 U.S.C. 1033** generally prohibits anyone who has been convicted of a felony involving a breach of trust or dishonesty from working in the insurance industry. While Citizens has consistently performed criminal background checks on new employees and as of September 1, 2018 required employees to report arrests, there is a monitoring gap. Citizens recently completed a solicitation for background check services on all existing employees. Implementation of these background checks will begin in 2020.

Certification Process for Prohibitions

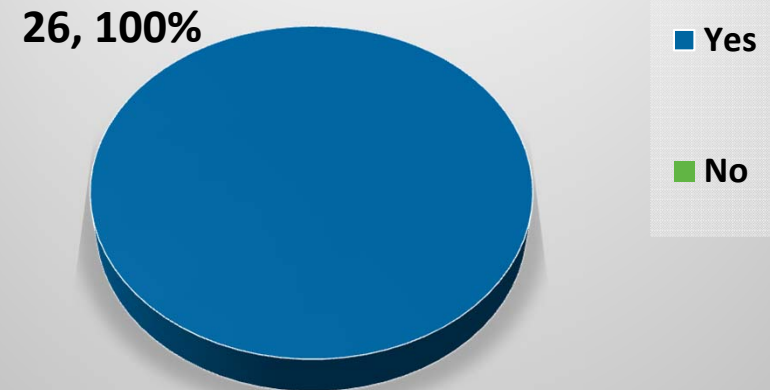
Addressed LRRs that are prohibitions and asked the following questions:

- Is the LRR prohibition element trained and/or communicated to others?
- Of the elements that are trained and/or communicated to others:
 - Describe how the specific LRR is trained and/or communicated to others.*
 - List the audience(s) that receive training or communication.*
 - List key personnel responsible for training/communicating.*
 - Date of most recent training or communication.*
- Is the Compliance Champion reasonably certain that the appropriate audiences have been made aware of this prohibition?

**Is the LRR prohibition element
trained and/or communicated
to others?**



**Are you reasonably certain that
the appropriate audiences have
been made aware of this
prohibition?**



* There are a variety of valid reasons why a prohibition may not be trained or communicated. These seven represent prohibited activities which are not part of Citizens business processes and are therefore not formally trained or communicated. Awareness of these LRR's is maintained by the appropriate business area, Compliance Champion, and ECO.

For additional information, please contact:

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