

**CITIZENS PROPERTY INSURANCE CORPORATION
TRANSCRIPT OF THE MINUTES OF THE AUDIT COMMITTEE MEETING
HELD TUESDAY DECEMBER 10, 2019**

A meeting of the Audit Committee of Citizens Property Insurance Corporation (“Citizens”) was held at 2:30 pm on Tuesday, December 10, 2019 in Maitland, FL.

The following members of the Audit Committee were present:

Chairman Marc Dunbar
Governor Jim Holton (telephonically)

The following members of the Board were present:

John Wortman
Blake Capps

The following Citizens Staff were present:

Jay Adams	Eric Addison
Christine Ashburn	Steve Bitar
Violet Bloom	Kelly Booten
Brian Donovan	Bonnie Gilliland
Barry Gilway	Mark Kagy
Paul Kutter	Joe Martins
Jennifer Montero	Michael Peltier
John Schmitt	Nancy Staff
Dan Sumner	Elaine Thomas
Barbara Walker	Brian Weaver
David Woodruff	Andrew Woodward

The following were also present:

Brian Smith, Dixon Hughes Goodman
Matt Church, Dixon Hughes Goodman
Mike Deas, Dixon Hughes Goodman
Kapil Bhatia, Raymond Jones
Adam Schwebach, Willis Re
Matt Williams, Bank of America Securities
Coleman Cordell, Bank of America Securities
Mark Weinberg, Citi

Call Meeting to order

Barbara Walker: Good afternoon, you are dialed into Citizens’ Audit committee meeting scheduled to convene at 2:30 p.m. Please do not place this hold on call. Press star 6 to mute your line and pound 6 to unmute your line. We will convene in a couple of minutes with roll call for quorum. Thank you for your patience. Welcome to Citizens' December 10th, 2019 Audit committee meeting that is publicly noticed in the *Florida Administer Register* and is recorded with transcribed Minutes available on our website. Chairman, may I convene with roll call?

Chairman Dunbar: Yes, please proceed.

Barbara Walker: Governor Holton.

Governor Holton: Here.

Barbara Walker: Governor Brown. Chairman Dunbar, you have a quorum.

Chairman Dunbar: Thank you and thank you to the audience for attending my one person show off Broadway. We will go ahead and begin, and I will take a motion to approve the Minutes.

A motion was made and seconded to approve the December 10, 2019 minutes. All were in favor. Motion carried.

Chairman Dunbar: That will bring us to Joe Martins. You can go ahead and proceed with your presentation.

Office of the Internal Auditor

Joe Martins: Thank you, good afternoon, Governors. For the record, I am Joe Martins, Chief of Internal Audit. I would like to refer you to the audit dashboard within the pack and I will start with an overview of the internal audit progress. We completed six engagements since the last committee meeting, and we have 10 engagements currently underway. With the Payroll audit we observed the Human Capital Management System successfully allowed Human Resources to automate and integrate most of its business processes. This provides greater access to HR and payroll information and enhances the internal user experience. However, the payroll portion of the application has created some unique challenges which are being addressed. We also completed work on the System and Information Backup audit. Within this audit we indicated that some improvements are needed to strengthen manual processes, testing of physical tape restorations and accountability assigned for work performance using system accounts. We currently have 10 audit engagements in progress. These include control and advice, and product support to the agency management system project, the identity and access management project, the rate override technology development project, the automated underwriting project. We are also providing consulting advice on the software asset management process and performing audits of the assignment of benefits, claims litigation, legal billing, proof of repairs, cloud readiness and remittance processing. Audit engagements planned for quarter two include audits of the Centerpoint configuration, policyholder claims experience, third-party access, third-party risk management, wire transfer and control advice on project support for the agency management system development. We are currently tracking seven open observations, none of which are of high impact. All open items are being worked on and Audit follows up monthly with its progress. For enterprise risk we look at risk from top down and bottom-up perspective. Enterprise Risk/ER facilitate, interact and engage in inherent and residual risk assessments throughout the organization and enable management to self-identify an assessed risk. ER follows a risk management approach through which they first establish content; then they identify the risks; they evaluate the importance of that risk; for each risk they develop a risk response; and quarterly monitor effectiveness of chosen risk responses and adjust where appropriate. We also completed the roll out of the Internal Control Framework during the quarter. Internal control is monitoring the completion of control self-assessments throughout the organization. By the end of this year 82 percent of the completed control

designs will be assessed. Once the key control and related process flow is documented, a control assessment life cycle is typically performed annually and expands five major categories, which include defining the scope of review; developing new or updating current process documentation; testing key controls; computing or reviewing controls tested; and understanding the risk posed by any deficiencies left un-remediated. I will pause for a moment for questions before I go on of the 2020 OIA strategy and plan.

Chairman Dunbar: Any questions?

Governor Holton: None from me.

Chairman Dunbar: Okay, go ahead and proceed.

Joe Martins: Thank you, sir. The Internal Audit Plan was developed to be flexible and evolve as the organization changes. This supports a dynamic risk environment ensuring that we focus on current risks. The plan was completed after a detailed analysis of the Citizens' strategic goals and objectives, considering management concerns and internal audit risk assessment. Audit coverage has been recorded within seven focus areas or audit themes which are: corporate expense management; reliance on third parties; corporate effectiveness; fraud detection and deterrence; innovation and system conversion; security and privacy culture, and finally regulator support. The plan provides for a healthy mix between audit engagements of which 59 percent refers to scheduled audits and 41 percent are consulting engagements. Enterprise Risk assessments are conducted from three different perspectives. We look at strategic risks, operational risks and project risks. For 2020 we will focus on refreshing the list of strategic risks, aligning those to the 2020 strategic themes. We will continue to roll out operational risk assessment practices throughout the organization and refresh risk quarterly. We will also refresh the project risk management process currently being used. Within the internal controls area, we will continue to review and improve on the quality documented controls, we will monitor the completion and quality of control self-assessments throughout the year and develop metrics and a score card that we will present annually to the Audit committee. The 2020 OIA budget compares well with the 2019 forecast. We indicate a marginal increase in salaries and benefits which reflects an additional staff in the internal control function and the procurement of a single governance risk and control application that will bring synergy, reduction of duplication, better reporting and to use an interface within the OIA. That concludes my presentation. If there are no questions in the plan and the budget, I will go ahead with the action item and read the recommendation.

Chairman Dunbar: Any questions?

Governor Holton: I have no questions.

Chairman Dunbar: Okay, go ahead and proceed with the action item.

Joe Martins: Citizens' Office of Internal Audit presents, for review and approval, the 2020 Office of Internal Audit strategy and plan. The plan was developed using a risk-based approach to understand and assess Citizens' operations and associated risks. The objective of this plan is to provide the most timely and comprehensive scope of audit, risk and control coverage by using resources available to the Office of Internal Audit. Since it is impractical to provide risk and control coverage to the entire corporation on an annual basis, we collaborated with business unit leadership to determine the best focus areas for internal

audit and the process management internal control given current circumstances. The 2020 Internal Audit budget presented is \$3.08 million in comparison to \$2.88 million budgeted for 2019. The detailed breakdown of the budget was provided for review for the Audit committee. The Chief of Internal Audit recommends that the Audit committee approve the 2020 Office of Internal Audit strategy and plan and approve the 2020 Office of Internal Audit budget as presented.

A motion was made and seconded to approve the 2020 Office of Internal Strategy and Plan and approve the 2020 Office of Internal Audit budget. Motion approved.

Joe Martins: That completes my report, sir.

Chairman Dunbar: Right, so the next item I think is Jennifer.

Chief Financial Officer

Jennifer Montero: Good afternoon. Behind tab three you will find the Audit committee materials, the September 30th, 2019 financial results and financial summary. Through the first three-quarters of 2019, consolidated net income was 82.2 million, a 34.5 million greater than the same period a year ago with increases in net investment income driving a majority of the year over year increases. Surplus increased slightly from 6.2 billion as of September 30th, 2018 to 6.3 billion in the current quarter. Across all three accounts net losses in LAE were relatively unchanged through the third quarter of 2019 as compared to the third quarter of 2018. Net losses in LAE for Hurricanes Irma and Michael were unchanged compared to the prior quarter. Consolidated direct written premium through the third quarter of 2019 was 662.1 million which is 2.6 percent less than the prior year. This decrease is the result of decreases in combined policies in force, primarily commercial lines policies within both the commercial lines account and the coastal account. Decreases in policies in force were 2.4 percent for the personal lines account, 24.4 percent for the commercial lines account and 10 percent for the coastal account. Premium ceded through private reinsurance was 94.6 million as of September 30th, 2019, compared to 88.4 million as of September 2018. The increase in premiums ceded in 2019 were the result of coverage purchased in the personal lines accounts during 2019, but not in 2018, partially offset by reductions in premiums ceded in the coastal account. As of September 30th, 2019, consolidated ultimate direct losses and LAE related to Hurricane Irma remain at 2.035 billion of which 783.5 million is recoverable under Citizens' reinsurance contracts with both the FHCF and private reinsurers. A majority of the development that occurred during the second quarter occurred within the personal lines accounts and resulted in an increase in both late reported claims and loss severity, particularly in the southeastern region of the state. Ultimate losses and loss adjustments expenses related to Hurricane Michael were unchanged compared to December 31st, 2018 and remain at 151.7 million. There were no reinsurance recoverables associated with Hurricane Michael as the loss in LAE attachment levels were not met. Current accident year losses in LAE unrelated to sink holes and hurricanes did not experience meaningful variances from prior accident years and development of the prior accident year losses in LAE was minimal. Although litigated and non-weather water claims continue to be a dominant driver of loss in LAE activity within the PLA, was still an issue. The litigation rate for accident years 2018 and 2019 continue to show improvement in comparison to accident years 2014 through 2017. Within the Commercial Lines Account, volatility and older sink holes claims continue to contribute to material quarterly variances in loss in LAE ratios, while loss in LAE development within the commercial lines are less significant to the accident year of which they relate. The diminishing size of the overall commercial lines book of business leaves it more susceptible to material swings in the loss in LAE ratio as a result of development in prior accident years when the commercial lines book of

business was considerably larger. The reported loss ratio through the third quarter of 2019 was driven by favorable development on outstanding loss reserves for older sink hole claims. Administrative expenses incurred through the third quarter of 2019 of 93.4 million were 2.2 percent less in the same period a year ago, and 13.5 percent less than budget. Variance in contingent staffing was primarily due to a lower than anticipated need for independent adjusters that were engaged in response to Hurricanes Irma and Michael, as well as a higher than anticipated number of claims entering mediation. The expense ratio for the period ended September 30th, 2019, was 24.3 percent reflecting a .3 percent increase from the same period a year ago, and a 1.8 percent decrease compared to budget. Total invested income for the first three-quarters of 2019 was 170.8 million, which is 24.6 million or 16.8 percent greater than the same period a year ago despite a decrease of 772.4 million of total average invested assets over the same comparable period. The increases in investment income were driven by significant reductions in realized losses. Additionally, holdings in tax exempt securities have declined resulting in a proportional increase in securities that generally produce higher yields. And I will pause for any questions.

Chairman Dunbar: Any questions?

Governor Holton: I have no questions.

Chairman Dunbar: Just a couple. Can I get a copy of that? I want to read it tonight just because, as Barry knows, I didn't completely do my homework and so I just wanted to look at that if I could.

Jennifer Montero: Yes.

Chairman Dunbar: And the other question I had, and it may be for Barry, I don't know. So just understanding when you refer to, we are sitting on \$6.3 billion in surplus, that is an aggregate of surplus across all lines, all accounts, right?

Jennifer Montero: That is correct.

Chairman Dunbar: And so, we have grown in the last quarter \$100 million in surplus roughly. Is there a way to break it out or is there a rough ratio in terms of what the contributors are across the accounts to the hundred million dollars in surplus? Is it like one particular account, 60 percent of that and is it typical? So, every quarter we could expect maybe another hundred million and it is the same sort of surplus contributor based on the particular lines we are writing?

Jennifer Montero: Well, it depends, it is by account and it does depend on which quarter we are in. For example, we have larger payments coming up to reinsurers in the Cat Fund in the second part of the year, but we can definitely break that out for you and get a nice breakdown of what is contributing out of each account to that increase in surplus.

Chairman Dunbar: Because what I was wondering about is the surplus contribution per policy and per account? I am trying to understand also, do we have the ability to analyze surplus contribution by policy location, sort of by state and region? I know that is weird question because a storm hits southeast Florida and it doesn't hit the Tampa Bay area, but is there a way to map that a little bit?

Jennifer Montero: There are some large expenses that are by account, like for example, reinsurance. That is by account and we know that like for the coastal account we do have some coverage, a small

amount of coverage for the commercial non-residential, but there is no coverage from the Cat Fund for that, but it is not by account, it is based off of what our exposure is at the time. So, it doesn't allocate back on a per policy or a per policy account. There are too many big expenses that come that way. The same with the net investment income which is what drove the surplus increase for the most part, and that is not attributable. It is attributed by account, but not to a policy count.

Chairman Dunbar: Okay, because I have had statements made to me that, well, my region of the state contributes more to the surplus than another region of the state, or my region of the state is paying for the claims in another region of the state. And I know that that is a sound bite that has a whole bunch of inaccuracies and things, but what I am trying to do is sort of arm myself factually to the errors in the statement, but also being able to say, well, there are ways that you can break surplus down and there are certain policies that may contribute to surplus more than others and educate people.

Jennifer Montero: And our chief actuary looks at that when he does the rating. So, he looks at it by territory, and if someone is paying an actuarially sound rate, they are contributing more to surplus than somebody who is not.

Chairman Dunbar: Right, right. Inherently I know that we try and keep things down, like in Monroe County it's different than for example Hillsborough County for reasons that we have gone through before. But yes, I was just curious if we could break that just for this quarter, arguably what that hundred million dollars means across the various lines from a surplus contribution.

Jennifer Montero: We can get the rating indications by the different regions and you can see who is paying actuarially sound rates versus those that aren't and they would be the ones that contribute more to surplus.

Chairman Dunbar: That would be great, yes, that would be great. Thank you.

Jennifer Montero: Yes. I have one action item.

Chairman Dunbar: Proceed.

Jennifer Montero: Thank you. Behind the next tab is for independent CPA auditing services. On August 20th, 2019, Citizens released request for proposal number 19-0015 for independent CPA auditing services. Responses were received September 26, 2019 from six vendors. All vendors passed. The response and responsible vendor review conducted by purchasing in the vendor management office. The six vendors were sent the evaluation committee which consisted of members from Citizens' executive administration, financial services control administration and financial reporting. On November 12th, 2019, at a public meeting for intent to award contract, Dixon Hughes Goodman, LLP was awarded the vendor. The contract will be for three years and may be renewed for two optional one-year renewals. It is a budgeted item. The contract amount is \$1,511,000 for the life of the contract, including all renewals and it is \$880,000 for the base year and \$631,000 for the renewal year total, and the vendor will provide additional professional services as may be required by Citizens for agreed upon procedures for financing purposes and Citizens compensation to vendor for additional professional services will not exceed 15 percent of the corresponding base annual fee. And I will pause for any questions before reading the recommendation.

Chairman Dunbar: Governor Holton, do you have any questions?

Governor Holton: No questions.

Chairman Dunbar: I just have one. Is Dixon Hughes our incumbent?

Jennifer Montero: Yes, they are.

Chairman Dunbar: How long have they been doing our work?

Jennifer Montero: This was their first term. So, they just finished. This is their last year of five.

Chairman Dunbar: So, they have done five and now we are going to do five more? Is the audit staff on this contract the same that we have had for the last five years?

Jennifer Montero: They are actually here. The managing partner, Matt Church is rolling off and Brian Smith will be on and they are out of the Tampa office.

Chairman Dunbar: Okay.

Jennifer Montero: And they're here to speak after I am.

Chairman Dunbar: Okay. And the reason why I am asking the question is I would like to see a change-over in staff. I mean, I would like to see a change-over in auditors, but obviously by the change-over in staff helps, I think, to make sure we remain independent obviously. So how much do we -- or should I wait to ask them how much overlap we are going to have for the next five years?

Jennifer Montero: They could answer that better than I could.

Jennifer Montero: It's the recommendation that Citizens Audit committee approve and recommend to the Board of Governors approve the three-year base term contract in the amount of \$880,000 and two one year renewal terms in the amount of \$631,000 for a total contract of \$1,511,000 and additional professional services as required by Citizens for agreed upon procedures for financing purposes not to exceed 15 percent of the corresponding annual fee for independent CPA auditing service, ITN 19-0015 to Dixon Hughes Goodman, LLP and authorize staff to take any appropriate necessary actions consistent with this action item.

A motion was made and approved to recommend the Board of Governors approve independent CPA auditing service, ITN 19-0015 to Dixon, Hughes, Goodman, LLP.

Chairman Dunbar: All right, moving on to tab four. If we had voted down the motion would you guys have not shown up for tab four?

External Auditors

Brian Smith: A likely scenario. Brian Smith, Dixon Hughes and partner, with me is Matt Church, partner, with the current auditing engagement and Mike Deas who is our current audit manager. Mike was recently promoted to manager, will serve in that capacity for the account for 2019. First off, thank you for the

appointment for the 2020 and beyond audits. We appreciate the service. Do you want to start with the questions you had?

Chairman Dunbar: Yes, I am just curious how you rotate staff, what the plan is for the next five years, because you know the optics of independence, et cetera.

Brian Smith: Sure, yes, I think it is an important question. First off, Matt Church has been signing as the audit partner for the last four years and will continue to do so for 2019. At such point I have supported Matt as a secondary partner on the account for the last two years, will continue to do so this year. I will take over as the signing partner for 2020 and beyond. We will also when we go on to 2020 and those years after, bring on a new concurring partner, engagement quality review partner that has not served the account for the last four years. So that will be a new partner, quality eyes, quality reviews and I think that role would be exactly what you are looking for to have some sort of new personnel.

Matt Church: It is important too, and again, thank you that the NAIC, right, just from a statutory reporting perspective does require that you rotate leading engagement partners every five years. So when we stepped back and thought about the proposal knowing that Brian was involved, kind of really from day one as a manager and then through this career, kind of took a step back the last couple of years. It made sense to kind of position him, one given his presence in Florida, also his knowledge of the homeowners market within the state and then also the working knowledge he has gained over time with Citizens. Then we kind of took a step and looked at my role going forward as historically been again signing partner, would I take that concurring review partner, or would we look for a secondary sort of independent. So we said it made more sense to pull me completely out of it for this five-year cycle. Maybe the next five-year cycle there may be a role for me coming back into it, but exactly to your point. So we did sort of propose a new team.

Chairman Dunbar: To that point the only follow up you have been in for two years, right? So you are not taking over as lead. We are going to go three years in. Does that mean you are going to rotate out of the lead spot because you will have then done five to comply with the NAIC, or the fact that you were not in a managing position, you are okay to stay in for the full five?

Brian Smith: That is correct, yes, since I was not the signing partner, I would be okay to sign for five years going forward. And that was some of the structuring that we looked into the engagement as well to make sure we were applying the rules correctly, but also making sure that we had Matt as the final decision-maker currently, but I would rotate into that role over time.

Chairman Dunbar: Okay, thank you.

Brian Smith: So our role today under our standards is we are required to communicate to the Audit Committee our audit plan. We will do that today, and this will be for the 2019 financial statement audit of Citizens, as well as the Florida Market Assistance Plan. Similar scope to previous years you are familiar with, we will audit the Citizens' financials for 2019 under both stat and GAAP under the GASB standards as well as the government -- market assistance plan. At the end of the audit we will have communicated our results. We will also communicate a report to the Board along with any required communications that will go to the Florida OIR. Mike is going to walk us through the audit timing. He and his team have been to Citizens' offices in Tallahassee most recently in November, and I will let him give a status of those results. After that I will go through and walk you through the risk assessments, and really the purpose of

this meeting communication is to allow the Audit Committee to ask questions. If you see any changes to the plan, we can take those into account and really create a dialogue to make sure that the committee and ourselves are in sync with the plan ahead and the results. So, Mike, do you want to walk through the plan?

Mike Deas: Yes. Thank you, Brian. So recently we were out at the Citizens' office in Tallahassee the week of November 18th, to complete our interim field work. We are pretty much all the way through that with a couple of follow up items. Just gathering the last bit of support, we need from an internal control perspective. So, we are also planning our Audit Committee discussion with you today, and then starting in April 6, 2020, we will be back on-site for our final field work. We anticipate that that will take four weeks to complete, with our anticipated issue date of May 15, 2020 for us to issue our financial statement audit.

Brian Smith: Thank you, Mike. And just for the communications of the risk assessment for your understanding, we see five areas of either significant risks or key audit areas in this systems audit. Number one is the investment portfolio. Any risk of impairment, whether that is OTTI or level three securities which are securities which aren't regularly priced, we are going to perform enhanced procedures around those. Number one, we need to understand what management's assessment for impairment is, and also if there are level three securities, we will utilize a third-party to assist in pricing those from an independent viewpoint and then compare that to what management's results are. So that is one risk.

Chairman Dunbar: Let me kind of stop you right there.

Brian Smith: Yes.

Chairman Dunbar: I don't mean to interrupt, because it is jumping ahead to the next committee, but since you are going to be looking at that. We have a pending action item to downgrade the bonds that we can hold. And is that on across the industry? Is that something that you guys looked at when you see that kind of movement in the investment policies and do you make recommendations, and can you comment at all on any pending items coming up?

Brian Smith: I think the question would be, we are not only going to benchmark to an independent view from price, but we are also going to benchmark to market movement, and we have a few more weeks before the end of the year. Obviously, those could change. And we also have the benefit of hindsight, right, after performing our audit. So, we will look at subsequent securities in Q1, particularly 2020, to see if there was movement in those prices, particularly if they are even more downgraded in Q1 into Q2 before we issue, and we will take those factors into account. It is going to be each security, each scenario, credit risks, et cetera, that we will evaluate.

Mike Deas: But to answer a little bit more into your question I think with what we are seeing in the industry, I do think we are seeing a little bit more of it. I think people are looking for that incremental yield.

Chairman Dunbar: I had trouble hearing you because of the feedback. Can you say that again, just a little slower?

Mike Deas: Yes, I think it is starting to become more common in the industry from a practice perspective just to try to increase and grab some spread.

Chairman Dunbar: Well, that is what I was wondering, that is all it is.

Mike Deas: Yes.

Chairman Dunbar: Okay. Thank you, sorry I didn't mean to interrupt the flow.

Brian Smith: The second item to discuss is IBNR, and we see there as a risk with the level of management that has been involved with reserving process. Our approach to mitigate that from an audit risk is we will engage a third-party actuary. In this case we engaged Dave Shepherd from Merlinos & Associates. And his role is to analyze, challenge the assumptions in essence made by management, particularly the actuaries within Citizens. And that has been a very consistent process year over year, and we start early, and we typically have plenty of time to get those results and then any dialogue between the actuaries and coordinate. We also oversee just the overall reserving range and make sure there is consistency year over year and evaluate those biases. So those are the procedures we will perform. We also look at a reinsurance portfolio. There is an analysis that needs to be performed on a risk transfer for an insurance company. We will analyze risk transfer. We will also look at the reinsurance structuring. Citizens has multi-year reinsurance agreements which causes challenges with estimates taken and we will evaluate those. And then with any organization there is a presumption of fraud risk around premiums and there is a presumption of fraud risk around management overriding controls. We will design procedures particularly to identify and mitigate any of those risks within the audit. We will use certain specialists. Those will include Ryan Boggs, he is the managing director within DHG. He is very familiar with Citizens and will oversee the IT audit function. We will engage DHG's evaluation group to determine third-party price for the investment portfolio. I mentioned earlier David Shepherd as an actuary from Merlinos, and then we do analyze any results from Citizens' internal audit group, from Joe Martins' group and we will review those reports and if there is any benefits we can gain from those we will reach out accordingly. The team again for 2019 is led by Matt Church. He will sign the 2019 audit opinion. Myself, I am merely his assistant to support the group here for this year. Mike Deas will support the audit from a management perspective and then Ryan Boggs, again, is the managing IT function. So that is our report. You can ask any question; we certainly encourage dialogue.

Chairman Dunbar: Any questions?

Governor Holton: No.

Chairman Dunbar: None from me.

Brian Smith: All right, thank you.

Chairman Dunbar: Thank you. All right, we will move on to Ethics and Compliance. How are you?

Ethics and Compliance

Nancy Staff: This is the report from the Ethics and Compliance office. There are four areas that my office is primarily responsible for. The first is ethics, education and implementation. I will remind you that we do have an ask ethics e-mail box which is utilized quite frequently by folks at Citizens, and those come directly to me. I answered more than 125 conflict of interest ethics enquiries this year. I have conducted

live training, including with the Citizens managers during the Lead 365 class. That is twice a year. It is an opportunity to get to interface with managers at the supervisory levels. I think that is really important for ethics education. I also spoke to a group of vendors regarding the lobbyist registration requirement which is a requirement with Citizens, and I have kind of rolling training that is going on with the executive leadership team. About every three months I take a bite size portion of the Code of Ethics and we talk about it, because the Code of Ethics, that is something that can become complicated. We successfully implemented the annual conflict of interest attestation. That is a statutory requirement. Every July 1 every employee at Citizens is required to attest they do not have a conflict of interest by statute. And we roll the course out reminding them about ethics and giving pointers on what might create a conflict of interest, and if they have any question they can automatically come directly to me through the ask ethics e-mail box or call. So that was successfully completed. Privacy education implementation is also under the Ethics and Compliance office. We have a privacy officer. He is a lawyer. He holds a number of certifications, and he had an IT background before he went to law school. So, we feel very, very fortunate in that regard. He has been spending a great amount of time, boots on the ground meeting with managers, doing privacy information exchanges which are management consultations throughout the company so that he can learn more about their processes, offer hints and come up with ideas for more education. He also conducted a HIPAA self-assessment which is part of our requirement, because we are a self-insured entity, and that is one of the requirements is just to check, make sure that we are complying and there was no notable concerns with that. Another area that is under the office is the corporate policy management. And we have on the corporate policy documents which are hosted on our internal website and they go through an executive leadership team governance approval process, and those are living, breathing documents which I am very proud of and folks do refer to them. We have updated more than 16 this year and the idea is, of course, to continue to update them in a rolling fashion. And finally, the operational compliance governance implementation, that is the process by which we have compliance champions throughout the company that are housed within the business unit that are responsible for LRRs, laws, rules and regulations. They review them every year, make sure that their processes are the same and they are implementing them correctly and we have a certification process, and that was completed this year in November, and I reported on that to the risk steering committee in November, and I have attached that report as an exhibit. So that is pretty much the Ethics and Compliance end of the year report in a nutshell. Do you have any questions?

Chairman Dunbar: Governor Holton, do you have any questions?

Governor Holton: None from me.

Chairman Dunbar: I had one question, Nancy. So what is it that you do relative to the ethics hotline that we have with Navex? Do you have any interface with that or any role?

Nancy Staff: Well, actually that is administered by the Office of Inspector General, but what we do have at Citizens is a triage process. So, the Inspector General receives those reports or those complaints, and it is on an anonymous hotline which is managed by a third-party vendor, it is a best practice which I have learned. And when he receives those complaints, a certain portion of them, primarily most of them, come through a triage process and that is the Inspector General's process where the Chief of Internal Audit, myself and the Director of Shared Services in Human Resources, we meet to discuss the best way to route or handle the complaints to make sure that every complaint is addressed in some fashion.

Chairman Dunbar: So, the policies themselves on the routing, are you involved in the drafting of the policies for the routing?

Nancy Staff: That would be the Inspector General.

Chairman Dunbar: So, Mark would do that? He would do it himself?

Nancy Staff: Mark Kagy, right.

Chairman Dunbar: Okay. That was my question. Thank you.

Nancy Staff: Thank you.

Chairman Dunbar: Welcome back.

Jennifer Montero: Hello. I had to step out of the meeting, and I missed the last conversation with the auditors about the bonds and I wanted to try and clarify.

Chairman Dunbar: Hold on just one second. Nancy, did you need to make anything, any presentation relative to the operational compliance and governance tab that is in the notebook?

Nancy Staff: No.

Chairman Dunbar: I just wanted to make sure. Okay, thank you. Sorry about that Jennifer.

Jennifer Montero: I was not in the room when you asked the question about an action item regarding the bonds.

Chairman Dunbar: Yes, for next committee.

Jennifer Montero: They are callable, that is what we are looking to do.

Chairman Dunbar: No, no, I was talking about the action item relative to the ability for us to hold. And we are downgrading the bonds that we are holding as well as adjusting the percentages that we can hold in a more volatile securities. Not that item, the other item.

Jennifer Montero: Okay, the investment policy changes.

Chairman Dunbar: Yes, yes, no, I would think you were on the other end.

Jennifer Montero: I just wanted to make sure we understand.

Chairman Dunbar: No, no, no, that was what I was trying to understand if from an industry standpoint where we are. If we are typical or atypical. Does that make sense? Well, I figured we would address it in the next one. It is just that he was here and mentioned it. So, I thought I would go ahead and pose the question. Thank you.

Jennifer Montero: Thank you, yes.

Chairman Dunbar: All right, the last item is the OIG report. And did we do anything relative to it or are we ready to adjourn the meeting?

Complaint Management Statistics

Chairman Dunbar: Is Mark here? Can you come on up for a second? Thanks. I didn't see you back there, I am sorry. I just had a couple of questions and I figured it would be appropriate to do it in the context of this committee. So, we had a phone conversation and there was just a couple of things that I wanted to make sure were sorted out there on the record. So, can you walk me through the contract we have with Navex and the ethics hotline and how it functions and things like that right now?

Mark Kagy: Absolutely. For the record, I am Mark Kagy, I am the Acting Inspector General at Citizens. We do have a contract with Navex. Navex is a third-party vendor that provides a hotline service and a web-based service. We use something at Citizens called Tellcitizens.com, it is a website anybody can access. If someone chooses to file an anonymous complaint they can do so through the website. They can also do so through an 800 number that goes right to Navex call centers. That phone number is available 24 hours a day, and they can file a complaint on any issue they feel important. Once that information is received by Navex they forward it to me and Joe Martins, the Chief of Internal Audit. As Nancy was saying, the typical next step is to go forward with a triage process. I will first do a review for whistleblower consideration. Florida does have a whistleblower protection law that requires me to go through and do an analysis to determine if that complaint could be a whistleblower complaint. If it is, it does not go through the triage process because of confidentiality requirements. But then we triage that concern, the four of us, and once that triage decision is made, the triage group, which is led by the Inspector General, is to determine what is the best course of action to address that complaint. So sometimes we get complaints about my boss raised his voice at me. That may not be an Inspector General level investigation. That might be something we refer to Human Resources or maybe back down to the business unit, or it could be something that does rise to the level of an I. G. complaint.

Chairman Dunbar: And so, the ethics hotline, is that available to just internal staff or can external vendors and things like that also avail themselves of it?

Mark Kagy: It is available to anybody and everybody. We do get complaints from vendor staff. We also get mostly from independent adjusters is where we see most of that action from. We also do get some complaints, rarely but every now and then a policyholder filing a concern with a claim may file something with us. We will refer that to the appropriate office as well. But it is available for both internal staff, external staff and any other stakeholder at Citizens.

Chairman Dunbar: And how do we promote that internally? The availability of it and how we use it, as well as how do we educate the managers, the supervisors as to its availability so that staff can be encouraged to use it, and also then use it for logging complaints so we can keep track of it? Can you sort of walk through what the process is for that?

Mark Kagy: Sure. The Tell Citizens' process is outlined in the Employee Handbook. Upon hiring, every employee will receive that. When they get their access cards that allow them into the buildings and things like that, there is a card there that will also have the Tell Citizens hotline number and information there.

The Inspector General's Office does have an internal portal page that outlines Tell Citizens and complaint process. I will occasionally meet with different business units to go over the role of the Inspector General's Office. I will also meet with, you know, Citizens has a Lead 365 program where on occasion I will give a presentation about the role of the Inspector General's Office and talk about the Tell Citizens process. We also have a fraud week. And so, in November every year we will go through and we will do a couple of presentations about, there is a requirement that employees are required to report fraud within 48 hours. We will talk about that requirement. We will also talk about how to go forward with those complaints. So that is just a little bit about how we do I guess promote that or advertise that.

Chairman Dunbar: And are the supervisors trained to also recognize for themselves when an employee, one of their employees or direct reports brings a complaint? It is not their job to triage, but it is some of those that need to be inputted into the system, those are your calls. I mean, how do we go about educating them?

Mark Kagy: All staff do go through mandatory refresher training. There are slides on that training. It is computer-based training. We will talk about how to file those complaints or how to address those. If there is contact information there, whether it be my e-mail address, we have got an Ask Inspector General e-mail book that is on that slide, as well as the Tell Citizens complaint reporting information. And so, you know, supervisors are of course a part of that, but all staff go through that mandatory refresher training.

Chairman Dunbar: And one of the things that we had talked about and I just wanted to make sure everybody was aware, I was hoping over in 2020 we could have a plan to raise the profile to our employees and to our vendors and encourage them to use Navex, it is a great tool. I have used it when I have been in various organizations and wanted to make sure that everybody knows it is available, that you can file anonymous complaints and that we take things very seriously. So at the next Board meeting or the next meeting of the Audit Committee, to the extent you could get with Violet and Barry and try and figure out different ways that we can raise the profile of it to make sure that everybody is aware, and also what the training program is if you wouldn't mind making a presentation at the next meeting.

Mark Kagy: Absolutely, I will be prepared to do so.

Chairman Dunbar: Thanks, Mark, I appreciate it. Thank you.

Mark Kagy: Thank you.

Chairman Dunbar: If there is nothing else. Jim, do you have any, Governor Holton, do you have anything that you want to add before we adjourn?

Governor Holton: Nothing else, no, no.

Chairman Dunbar: Okay, great. With that I will take a motion to adjourn.

Governor Holton: Move to adjourn.

Chairman Dunbar: Second. Without objection, show that done. Thank you.

Governor Holton: Thank you. (Whereupon, the meeting was concluded.)