



INTERNAL AUDIT

Proof of Repairs
Audit Report

May 6, 2020



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Executive Summary

Background

In September 2017, Hurricane Irma caused widespread damage to the State of Florida resulting in a significant number of policyholder's property in need of repairs. In October of 2018, Hurricane Michael also caused widespread damage in the Florida Panhandle. Validating repairs are made to damaged property is important for maintaining the integrity of Citizens' book of business, protecting the public interest and Florida's economy.

In October 2018 Citizens began a pro-active approach communicating the need for proof of repairs from Hurricane Irma impacted policyholders, which began with notifications to agents and policyholders reminding them to retain repair receipts as the proof of repairs to damaged property would be needed for policy renewal. Proof of repairs for Hurricane Michael will not be required until the 2021 policy renewal term. This is due to the significant devastation incurred causing extra time needed for policyholders and contractors to effectuate the needed repairs. Underwriting is responsible for reviewing the proof of repair documentation based on applicable guidelines and non-renewing policies if the requirement is not met.

As of April 27, 2020, the total proof of repairs requested by Citizens were 32,043, with 27,278 or 85% of the proof of repair documentation received.

Audit Objectives and Scope

The objective of this audit is to evaluate the adequacy and effectiveness of controls in place for the Hurricane Irma proof of repairs process for Personal Lines and Commercial Line Policies. Our scope includes a review of the following:

- Identification of impacted policyholders
- Timeliness and adequacy of agent and policyholder notification
- Review of proof of repair documentation
- Renewal eligibility
- Non-renewal process

Audit Results

The Proof of Repair control processes were found to be adequate and effective with positive overall results.

- The review and validation of the proof of repair notification process was above and beyond normal expectation. Agent and policyholder proof of repair mail notifications begin six months prior to non-renewal of a policy in addition to email reminder notifications also sent out to the policyholders several times over the period to provide additional customer awareness.
- Internal Audit validated the policyholder access to contact Citizens electronically, through Citizens website to respond to the proof of repair request. The results of our process validation show adequate timely response to the receipt of documentation and inquiries



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submitted by the policyholders to Citizens to ensure policies are not cancelled erroneously.

- Internal audit validated the underwriter exercised reasonableness when reviewing the proof of repair documentation and Justification for Delay (JFD) documentation submitted by the policyholder for renewal eligibility.

Note: During the audit Citizens stopped all policy non-renewals and cancellations due to non-payment and repair receipts not received effective 3/1/2020 through 6/30/2020 due to COVID-19.



Appendix 1

Distribution

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James Holton, Citizens Audit Committee Member
Bette Brown, Citizens Audit Committee Member

Following Audit Committee Distribution:

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The Honorable Jimmy Patronis, Chief Financial Officer
The Honorable Ashley Moody, Attorney General
The Honorable Nikki Fried, Commissioner of Agriculture
The Honorable Bill Galvano, President of the Senate
The Honorable Jose R. Oliva, Speaker of the House of Representatives

The External Auditor

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Under the Direction of Joe Martins, Chief of Internal Audit*