

Office of the Internal Auditor

Strategy & Plan 2022

December 2021



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Executive Summary

Introduction

This document serves as the Office of the Internal Auditor's (OIA) 2022 Strategy and Plan (Plan) for Citizens Property Insurance Corporation (Citizens). The contents of this document have been shared with executive management and are presented to the Audit Committee for consideration and approval.

The Chief of Internal Audit currently oversees three complementary assurance functions within Citizens which include internal audit, enterprise risk management, and internal control monitoring. This Plan provides a detailed description of our approach, focus, and expected deliverables for 2022 and beyond for each of the three functions.

Background and Approach

The mission of Citizens' OIA is to provide independent, objective assurance and consulting services designed to add value and improve Citizens' operations. OIA assists Citizens in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

- [Background on Citizens Property Insurance Corporation](#) - Citizens operates according to statutory requirements created by the Florida legislature and a Plan of Operation approved by the Florida Financial Services Commission. Its mission is to provide insurance protection to Florida policyholders who are entitled to but are unable to find property insurance coverage in the private market. The corporation is subject to operational reviews and examinations by the Florida Office of Insurance Regulation and the Florida Auditor General, and its financial statements form a major component of the Florida Comprehensive Annual Financial Report. Citizens has offices located in Tallahassee and Jacksonville.
- [Approach](#) - In alignment with our mission, OIA uses a collaborative approach in supporting Citizens in the achievement of its strategic goals and ultimately, to provide independent and objective assurance over the organization's internal control environment to the Audit Committee, Board of Governors, and Management. 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 OIA. Since it is impractical to provide coverage to the entire corporation on an annual basis, the OIA, in consultation with business unit leadership, continuously considers risk across Citizens' process universe and determines the best type of service to address each set of risks and circumstances.
- [Coordination with other Assurance Providers](#) - In developing this plan and approach, OIA consulted with other internal and external assurance providers, including Citizens' Inspector General, to ensure that the 2022 OIA plan supports or complements other operational plans. This ensures duplication of work is minimized. Our schedule will be shared with the external auditors, Dixon Hughes Goodman, and we will continue our discussion with them as the year progresses and adjust the Plan, where appropriate, in order to provide them the opportunity to rely on OIA's work product.

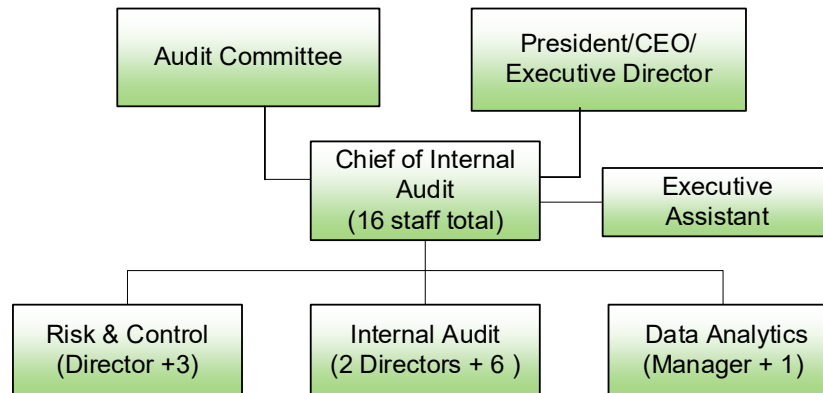
Organization

The Chief of Internal Audit was appointed by the Audit Committee, a committee of the Board of Governors, and reports directly to and is under the general supervision of the Committee. Under the guidance of the Committee and in support of Citizens' management, the Chief of Internal Audit



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established a team of audit, risk and control professionals to provide assurance and consulting services, which are designed to add value and improve the corporation's operations.



OIA Mandate

The purpose, authority, and responsibility of the OIA is formally established through Citizens' enabling statute, specifically Section 627.351(6)(i) Florida Statutes. In addition, Citizens' Audit Committee further clarified OIA's role and authority through Citizens' Internal Audit Charter. This charter is consistent with the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing as defined by the Institute of Internal Auditors and is reviewed annually.

In addition to the International Standards for the Professional Practice of Internal Auditing, the OIA further uses accepted industry frameworks for guidance when conducting audits, risk assessments or internal control evaluations. These include the Control Objectives for Information and Related Technology (COBIT) as guidance for conducting IT audits; the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework for the development and management of Citizens' Internal Control Framework; and the COSO Enterprise Risk Management Framework (COSO ERM) for the development and management of Citizens' Enterprise Risk Framework.

Our Values

In support of our mission and aligned with Citizens' values we adopted:

- **Forward Thinking** - we provide excellence by being insightful, proactive, and innovative.
- **Teamwork** - we are a solidified team that works together collaboratively and efficiently.
- **Trusted and Respected** - we embrace the highest level of confidentiality and integrity and treat all people with dignity and respect.
- **Professional and Courteous** - we respectfully follow the relevant standards while being polite and courteous to others.
- **Responsive to Risk and Customers** - we will understand the changing needs of Citizens and respond by being flexible in our planning and delivery.
- **Competent, Fair and Balanced** - we provide unbiased, balanced, and practical solutions.



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Our Strategy

The 2022 OIA approach is aligned with Citizens' strategic objectives and goals to provide high quality audit, risk, and control services. To be a valued partner, the OIA team seeks opportunities to effectively utilize allocated financial and human resources to meet the expectations of key stakeholders. As such, we seek creative ways to maximize the value and impact of available audit, risk, and control resources and to be a valued partner and seek opportunities to:

- Learn about and understand our business partners' environment and their challenges.
- Provide progressive thinking toward internal and external factors and trends that may prevent Citizens from successfully meeting its goals and objectives.
- Be aware of and apply leading audit, risk, and control practices.

Our Plan

This Plan provides a detailed description of our approach, focus, and expected deliverables for 2022 for each of the three OIA functions: Internal Audit; Enterprise Risk; and Internal Control.

1. Internal Audit

Internal Audit follows a detailed annual planning process and prepares a themes-based audit plan which considers the possibility of dynamic risk fluctuations and process changes throughout the year. As such, the audit plan continuously evolves to support our dynamic risk environment, focusing on current and emerging reputational, compliance, operational, information technology and financial risks. To achieve the greatest impact, Internal Audit "rebalances" audit activities in a rolling audit plan to ensure adequate focus is given to Citizens' strategic issues and critical processes.

Audit Universe: In determining Citizens' audit universe (or range of all audit activities), we engaged with management across the organization and assessed potential auditable entities. These entities included a range of programs, activities, functions, structures, and initiatives, which collectively contribute to the achievement of Citizens' strategic objectives. For 2022, Citizens' key strategic themes are:

- Identify and implement strategies to reduce Citizens' exposure.
- Ensure scalability, flexibility, and resiliency in our operations to optimally serve customers.
- Identify and implement strategies to reduce litigation and enhance litigation capabilities.
- Invest in and leverage Citizens' greatest resource - our employees.

Prioritizing Audit Engagements: The primary responsibility of Internal Audit is to determine whether Citizens' network of governance processes, risk/opportunity management, and internal control, as designed and represented by management, is adequate and functioning in a manner to ensure that:

- Risks/opportunities are appropriately identified and managed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employees' actions comply with policies, standards, procedures and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and protected adequately.



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- Programs, plans and objectives are achieved.
- Significant legislative or regulatory issues affecting Citizens are recognized and addressed appropriately.

Types of Engagements: Following the completion of a detailed analysis of Citizens' strategic goals and objectives, considering management's concerns, and Internal Audit's risk assessment, we developed specific audit themes in identifying planned audit activities and audit coverage. Themes-based audit planning helps us determine, consolidate, and provide high-level insights into audit focus areas to the Audit Committee, Chief Executive Officer (CEO) and other key stakeholders through the grouping of internal audit outcomes into related higher-level topic areas (or themes). Activities carried out by Internal Audit can take many forms and we realize that pure assurance activities are not the only solution to accomplish our goals. As a result, we offer the following range of engagements:

- Audit (Assurance) engagement - involves the examination of evidence for the purpose of providing an independent opinion on the effectiveness of process governance, risk management, compliance, and internal control practices for the organization.
- Consulting (Advisory) engagement - is provided at the request of management and is intended to add value and improve Citizens' governance, risk management, compliance, and internal control processes without assuming management responsibility.
- Project engagement - provides a focused assessment on the effectiveness of the project development approach applied to ensure that fit for purpose processes, and systems are designed and implemented.
- Business Support - is provided at the request of management and is conducted to improve collaborative efforts and to assist in the identification of good business practice.
- Targeted audit or Investigation - is used to research and validate activities to determine the legitimacy of a reported suspicion, a suspicious transaction, or noted red-flags by providing independent, objective financial and process related expertise.
- Risk Assessment - is used to assess, identify, and highlight current and emerging risks that may affect the efficiency and effectiveness of the organization.

Audit Themes: Our audit themes consolidate and provide high-level insights into the years' audit focus areas. As the year progresses, Internal Audit will use a quarterly rolling risk assessment process to identify engagements to be selected for every reporting period. The 2022 themes are as follows:





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Theme 1: Corporate Expense & Exposure Management

Citizens continues to develop and improve existing strategies, programs, and processes geared toward reducing operating expenses and exposure across the organization. The organization remains focused to achieve and maintain an acceptable expense ratio. In considering potential audit engagements we focused on the following:



- The current application, Acuity, is a System as a Service (SaaS) based software solution used by both Citizens' internal staff and outside counsel to facilitate the management of all activity on legal matters. A new Litigation Management System is being procured in 2021 for implementation in 2022. Internal Audit will participate on the project team and provide process, risk, and controls advice for the implementation of the Claims Litigation Management System. The Litigation Management System will be a web-based system, used by both internal claims litigation and claims legal services and external stakeholders, to effectively manage litigated claims and associated litigation billing. Unlike other systems utilized by Claims, the Litigation Management System will have separate interfaces/permissions for internal stakeholders (Claims and Legal staff) and external stakeholders (contracted outside counsel) which allow a secure environment that both parties can access and collaborate on the handling of litigated claims as well as submission and review of electronic legal invoices.
- The Managed Repair Program (MRP) is a customer focused turnkey service that returns the customers' property to pre-loss condition and helps reduce the rising cost of water loss litigation. In 2018, Internal Audit conducted an audit to assess the readiness, adequacy, and effectiveness of the MRP process including oversight of the end-to-end process, and vendor performance and capacity. While the audit included some aspects of the limited product changes it was a limited review due to a minimal claims volume. A



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more comprehensive review of product revisions and process efficiency will be performed with this engagement.

- Citizens' procurement requirements are established by Florida Statute (287.057), which governs procurements by state agencies. In addition, bid protests, public records, and public meeting laws (Sunshine Law) also apply to Citizens' procurements. Recent legislative changes impacted the evaluation and management of competitively procured contracts for commodities and services. Internal Audit will evaluate the adequacy of the controls, processes, procedures, and workflows implemented in response to the bill's requirements.
- A suspense account is an account in the general ledger that is used to temporarily store transactions that require further analysis before a permanent assignment in the records can be made. The use of a suspense account allows time to research the nature of a transaction while still recording it on the company's books. Included in these types of accounts could be monetary transactions such as cash receipts, cash disbursements and journal entries. Given the nature of these accounts, transactions should be cleared quickly. Transactions will be more difficult to clear as time passes, especially if there is minimal documentation as to why the transaction was initially placed in the account. For this reason, the age of items should be tracked and minimized. Suspense accounts are also considered a control risk and Internal Audit will assess the purpose and procedures in place to manage suspense accounts.
- Personal lines underwriting (PL UW) processes new business submissions and policy change updates for key elements including coverage eligibility, insurability, risk characteristics, loss history and other required underwriting documentation. The personal lines underwriting quality assurance program is intended to provide a review of the PL UW underwriting tasks in accordance with procedures. Due to the challenges in the Florida Market, Citizens experienced significant growth of personal lines policies and increased staffing.

○ Theme 2: Corporate Effectiveness

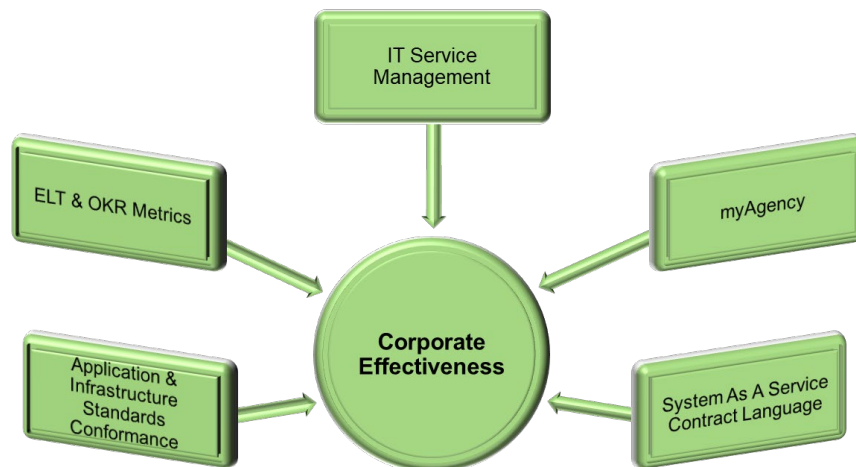
Traditionally, corporate effectiveness measures how successful an organization is in reaching the goals it set out to achieve. Having the right people, processes and structure implemented to create effectiveness and efficiencies leads to goals being met. A variety of areas may contribute to corporate effectiveness such as faster, leaner, and more cost-effective business processes, improved digital adoption, more efficient use of technology, management tools such as policies and procedures, improved customer, and employee experiences. Audit will review several of the more significant business processes that contribute to corporate effectiveness.

- Application, server and network device configurations and hardening standards have been established to reduce the likelihood of unauthorized or malicious access to Citizens' infrastructure. As well, IT Security standards related to device configurations are a component of governance which outline guidelines for a secure environment and data protection. Additional configurations provide appropriate performance, capacity, and operational considerations within the network environment. Internal Audit will review compliance to standards which is a significant operational component that ensures protection of applications and infrastructure.



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- Monthly the Enterprise Performance Metrics team constructs and publishes an Executive Leadership Team (ELT) Metric Report. The ELT Metrics Report is used by management to monitor organizational progress and make important business decisions. In addition, Management has implemented Objectives and Key Results (OKRs) that help implement and execute strategy. The benefits of OKRs include a better focus on results that matter, increased transparency, and better strategic alignment. Poor data quality or inaccuracy in the data can have negative consequences on critical decision making by management.



- MyService is a SaaS platform which has several modules and provides the ability to create digital workflows to process and approve requests as well as other service management activities. The platform serves as a pivotal point of contact between internal service providers and users on a day-to-day basis for user access management, reporting incidents, change management and for users making other routine service requests. Some workflows have been added for processes outside of the standard IT cycles. New for next year is the recent decision to implement managed workplace IT services to enable additional business agility and help support digital transformation initiatives. The services include IT Help Desk support, the Technical Operations Center and account provisioning, all of which utilize the process flows to provide services within the organization. Internal Audit will evaluate the adequacy and effectiveness of processes developed for handling IT service requests, incidents, and other digital workflows.
- The Agency Management System (myAgency) was successfully implemented in late 2020, which replaced three of the legacy systems that supported agency related functions. The new platform improves functionality and provides a more integrated solution that will support tracking and monitoring of agent licenses, commissions, investigations, complaints, and key performance indicators as well as provide self-service capabilities to agents. In lieu of an implementation vendor, Citizens' internal departments took the lead to implement appropriate configurations, access controls and processes for this web-based cloud solution.
- During the contract procurement negotiation process, management uses a contract template with basic language to protect Citizens' interest as the starting point for a contract. In alignment with Citizens' strategy to move software applications to a cloud environment, the standard software as a service (SaaS) provider language has become



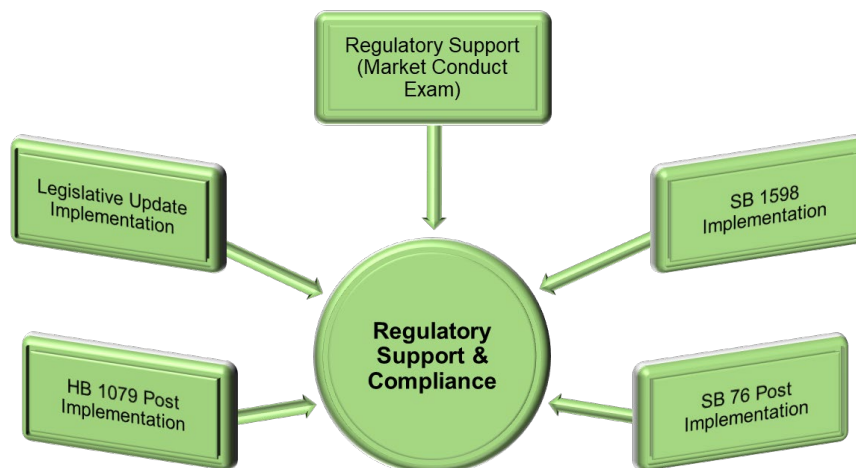
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increasingly important to protect Citizens. The contract and related language sets expectations and outlines consequences in case a vendor fails to deliver. If the contract language is not complete and/or explicit enough this could lead to increased contract risks. Internal Audit will evaluate the current standard terms contract template used with SaaS vendors and complete a gap analysis to validate contract language, terms, and conditions to reduce contract risk.

○ Theme 3: Regulatory Support & Compliance

Each year the Florida legislature session produces several bills which may have a direct effect on the insurance industry with impacts to business processes and systems across Citizens. With these following engagements Internal Audit will provide advisory services in support of the implementation of the processes and procedures necessary to comply with the bill requirements:

- Internal Audit, in its liaison role, is responsible for coordinating with the Florida Office of Insurance Regulation (OIR) Market Conduct examiners and the State of Florida Auditor General's auditors. The OIR Market Conduct exam is performed every two years and the Auditor General operational audit is performed every three years. In 2022 the Office of Insurance Regulation will be conducting the Market Conduct Exam which will begin in September and finish by February 2023. The coordination efforts constitute meetings, planning, information request tracking and delivery, and overall ensuring the examiners receive the correct information timely.
- SB 76, which became effective on July 1, 2021 amended existing Florida Statutes and created new ones, impacting several Citizens business units, particularly Claims operations. Claims Management implemented changes in processes, procedures, and workflows to conform operations to the new requirements.



- HB 1079 makes several changes relating to the evaluation, management, and oversight of competitively procured contracts for commodities and contractual services. The Bill includes several provisions for the evaluation, management, and oversight of contractual service agreements.
- SB 1598 is a consumer protection legislation that amended existing Florida Statutes and created new statutes with some provisions going into effect July 1, 2021 and others on January 1, 2022.



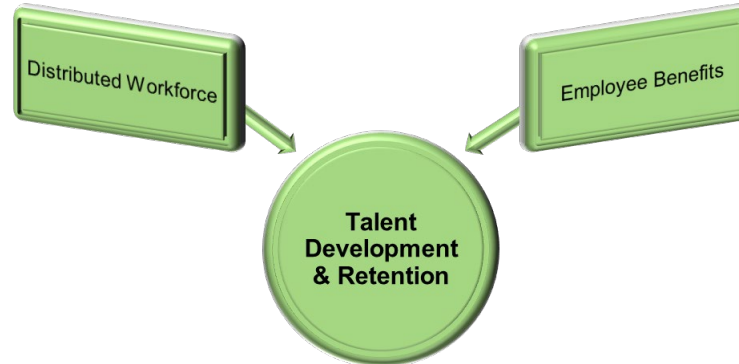
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- During 2022 the Florida legislative session will convene and there may be bills passed and signed into law that affect Citizens' operational processes which will need to be readied and implemented.

○ Theme 4: Talent Development and Retention

Citizens has a total rewards program in place which is designed to develop and retain talent through monetary and non-monetary remunerations. The program includes these key elements: Health and wellness, work/life balance, pay and performance, recognition, employee engagement, and learning and development.

- The pandemic forever changed assumptions about the workforce and Citizens has adapted to meet the needs of the work environment, the organization, and employees. The hybrid Distributed Workforce Model was implemented February 1, 2021 and includes a workforce strategy with employees in the office, employees working remotely or in the field and teams distributed at any given time. The distributed workforce model can improve employee productivity, job performance and work/life balance, as well as promote administrative efficiencies and savings, reduce transportation costs, support business continuity, and enhance capabilities to hire and sustain retention of our highly specialized workforce at Citizens. With this engagement Internal Audit will evaluate performance management process developed to ensure adequate oversight is in place to manage and monitor distributed employee performance, productivity, and compliance with corporate policy



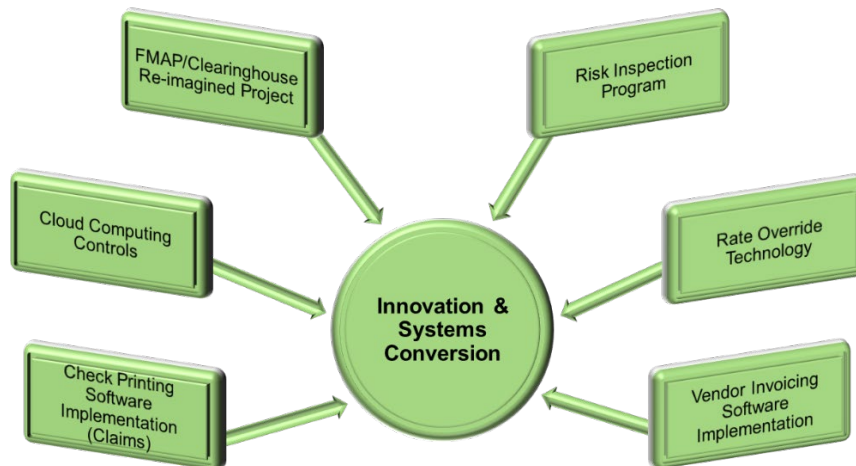
- In 2017 Citizens transitioned from a fully insured medical and prescription plan to a self-insured plan. In a self-insured arrangement, an organization funds the employee insurance health plan and hires a third-party vendor to perform specific administrative services. Citizens is responsible for the financial risk and obligation to pay enrolled participants covered medical and prescription claims. A benefits consulting firm advises Citizens in matters related to group insurance and employee benefits as well as performing periodic reviews of benefit and claim performance designed to identify improvements including potential opportunities to reduce costs and educational efforts. In addition, the vendor performs actuarial services to support the recording and monitoring of Citizens' financial obligations related to the plan including projecting claim costs, estimating reserves, and calculating loss ratios. Internal Audit will assess the management of Citizens' health care benefits programs specifically focusing on vendor involvement.



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○ Theme 5: Innovation & System Conversions

Citizens is making a change in the way that systems and services are delivered to employees and customers to provide improved productivity, eliminate the need to maintain excess capacity and the related cost, and meet rapid increases in demand by being able to immediately activate additional capacity as business situations require. Applications currently residing on premises are being migrated to Software as a Service (SaaS) solutions, infrastructure will be cloud based to also align with the cloud strategy and several new products are being implemented for modernization and improved productivity. Audit will participate in projects or perform audits where necessary to validate appropriate controls remain in place as these changes occur.



- Claims Check Printing Software Implementation begins in Q4 2021 to replace existing printing software. The software is used to print return premium, commissions, or claims checks and is a software as a service that will provide the ability to seamlessly integrate with BillingCenter and ClaimCenter. Internal Audit will provide project support and advice on processes and controls developed and implemented.
- Citizens adopted a Cloud Strategy to gradually transition from utilizing its own infrastructure to utilizing applications and infrastructure in the cloud. Many software as a service (SaaS) systems have been implemented over the past several years. Citizens is further implementing the cloud strategy by reviewing options and acquiring or migrating services which will improve elasticity to support peak needs, minimize demands on internal resources, and enable faster delivery. In 2021, several development environments were migrated to the cloud, a new cloud-based storage service was implemented for employees' personal work files and work is underway toward new storage and disaster recovery infrastructure. It is important to ensure that appropriate configurations, controls and/or processes have been implemented and validated in alignment with business and risk considerations as the perimeter of the network becomes more nebulous with the expansion to cloud computing. Audit will perform a review to confirm controls are sound.
- Citizens' Policy Eligibility Re-Imagined is a proposed concept to combine the current Clearinghouse and FMAP capabilities into a comprehensive solution that provides the consumer with available options for coverage outside of Citizens while enhancing Citizens' ability to validate eligibility under current rules and eligibility statutes. The future workflow objective is to simplify the experience. Internal Audit will participate as the project evolves and provide process and control advice.

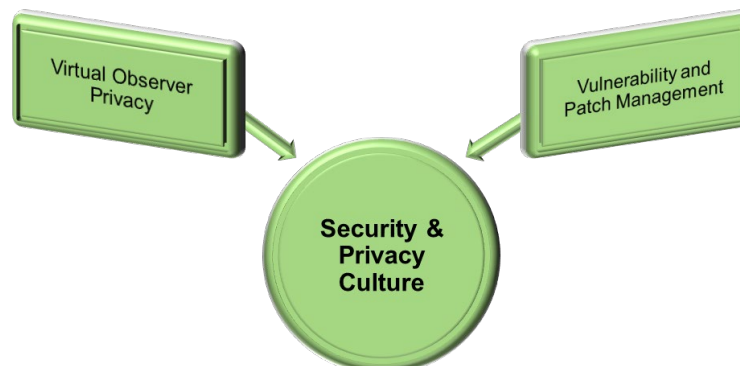


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- Citizens' staff developed a holistic inspection plan for 2022-2025. This plan presents an annual increase in inspection count for Personal Lines policies, while maintaining a robust approach for Commercial Lines policies. Management will increase use of inspections to provide better insight on a property's interior and exterior, including the condition of the roof, plumbing, electrical, and HVAC (heating, ventilation, and air conditioning) systems. Citizens will also begin taking the necessary steps to significantly expand the use of inspections by leveraging existing and emerging technologies to gain efficiencies to positively impact underwriting results. Internal Audit will participate as the inspection program expands and provide process and control advice.
- During 2020 Rate Override Technology was implemented within PolicyCenter, which enables authorized Underwriters to correct the system-generated premium for new-business and renewal policies. These premium changes are necessary under certain circumstances, such as for rate capping adjustments necessary to comply with the glide path statute, correct defects, and delayed effective dates.
- Claims Management will be implementing Vendor Invoicing Software (VIP), an integrated vendor invoice submission software. VIP Software is a cloud-based SaaS platform that automates invoicing processes and will replace the current manual processes for claims vendor invoices, ensuring consistency and compliance with contractual requirements. A pilot implementation phase is targeted for the fourth quarter of 2021, and it is expected that all additional living expense invoices will be handled through this platform before the 2022 hurricane season.

○ Theme 6: Security & Privacy Culture

Cyber security is about protecting the organizations' computer equipment and information from unintended or unauthorized access, change or deletion. Information can be in many forms including customer lists, customer and financial details in databases, paper documents, etc. Privacy rights include restrictions on private data collection or sharing and relate to a subset of personal information that may be stored in corporate assets. A breach of privacy data may trigger requirements delineated by the Florida Data Breach Notification law. A cyber-attack may cause financial losses and damage to the organizations' reputation and so sound practices are required to be applied to protect data. IT Security, along with the Privacy Office, continue to review and improve security and privacy policies, standards, and practices to correspond with world events. Internal Audit will perform audits related to IT Security due to the important nature of controls in this area and essentially assess the adequacy of processes and controls.



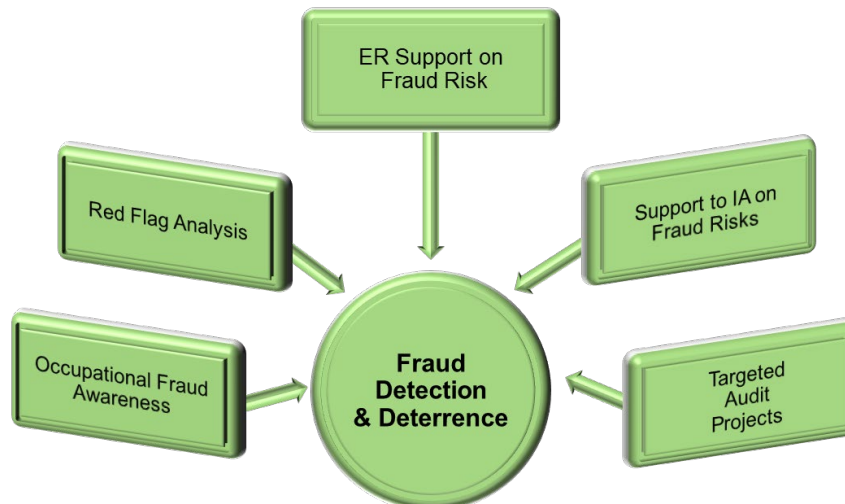


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- A vulnerability and patch management life cycle refers to identifying, classifying, prioritizing, and patching software vulnerabilities. Vulnerability detection was recently enhanced by procuring a managed service that provides scanning automation and reporting. As well, a new code quality and code security solution was implemented to enable cleaner code and manage web application security risks in the development process. Together with policy enhancements, a focus on repeatable processes and expanded reporting, the program continues to mature to better serve the cyber protection needs of the company.
- The subject of staff quality monitoring through Virtual Observer emerged in 2020 because of privacy concerns. A cross functional workgroup was formed to research and analyze the concern. The workgroup identified mitigating strategies and activities in place in addition to identifying opportunities for improvement which will be implemented in 2022.

○ Theme 7: Fraud Detection and Deterrence

Occupational fraud is a universally recognized business risk, and Internal Audit has a statutory commitment to prevent and detect fraud, abuse, and mismanagement. As the Insights Driven Assurance initiative develops, Internal Audit will improve the data analytics capability to expand on continuous assessment of fraud risk and the identification of red flags. Fraud red flags refer to potential undesirable situations or conditions that may contribute to fraud, waste, and abuse of resources.



Due to the complexity of insurance processes and integrated systems storing copious amounts of financial and non-financial data, our internal audits and investigative reviews cannot be thoroughly conducted without considering supporting data and digital analysis. Our Insights Driven Assurance initiative, supported by the data analytics expansion project, is improving our data analysis capability and we are assessing the use of basic robotic process automation to conduct continuous or routine analytic tasks, thereby freeing the analyst to focus on higher value work.

Internal Audit in collaboration with the Office of the Inspector General, focuses on suspected fraud, abuse, and mismanagement through ad-hoc forensic audits. For 2022, Internal Audit will also participate in fraud risk discussions as part of Enterprise Risk's facilitated







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operational risk assessments to support each business unit in identifying potential fraud risks that may impact the efficiency of processes and controls.

2. Enterprise Risk


The Enterprise Risk (ER) team within OIA is responsible for the design and maintenance of the Enterprise Risk Management (ERM) Framework. Citizens' ERM Framework provides the foundation for our enterprise risk program designed to support the organization in the achievement of strategic and operational objectives through identifying, assessing, and mitigating risks. The framework is modeled after the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) ERM Framework and customized to fit the unique needs of our organization.

The primary accountabilities and objectives for the ER team are outlined below:


| | Objectives | Description |
|---|--|---|
|  | Facilitate & enable a comprehensive risk profile | <p>Annually, ER facilitates a strategic risk assessment with the Executive Leadership Team (ELT). Strategic risks are assessed by estimating the potential impact or severity level the risk impact may have to Citizens if the event occurs and considering the probability of occurrence.</p> <p>ER facilitates and enables Risk Champions and management to identify and assess operational risks for up to 81 business processes across Citizens. Our target goal is to update 25% of the processes per quarter or when processes or risks significantly change to ensure the operational risk profile remains relevant and timely.</p> <p>Pre and post implementation project risk assessments are performed to assist management with decision making and to ensure mitigating activities are designed and implemented for higher rated project risks.</p> <p>Scenario risk assessments are conducted to evaluate emerging risk scenarios to assist the organization in preparing to mitigate risks in the event the scenario materializes.</p> |
|  | Mature the Enterprise Risk Management Framework | Embed the comprehensive ERM framework throughout the organization by incorporating risk considerations from day-to-day activities through Enterprise Strategic Planning. |
|  | Promote self-service capabilities for Risk Owners, Risk Champions & Management | The Risk Module within AuditBoard provides a comprehensive view of Citizens' risk profile through a centralized repository of risk and control information, assessment results and various dashboards. The module includes self-service capabilities for Risk Champions and management to identify, assess, and manage risks. Risk Champions are being trained on system capabilities. |
|  | Expand reporting capabilities | Dashboards and reporting capabilities will be available to ELT, Risk Owners, Risk Champions, and management in a phased approach. |



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| | Objectives | Description |
|---|--------------------------------------|--|
|  | Collaboration & Alignment | ER is focused on maintaining a collaborative and engaging risk identification and assessment environment across the organization. ER partners with many areas including IT Security & Risk, Ethics & Compliance, and the Strategic Evaluation Group to conduct cross-functional risk assessments leveraging the Framework. |

The 2022 ER Roadmap provides an overview of the plan for each quarter with a specific goal to drive the maturity of the ERM program as well as other key areas of focus.

| | |
|-----------------|--|
| 2022 ER Roadmap | <p>Enterprise Risk delivers forward-thinking and insightful risk perspectives that enhance decision-making from daily activities through the strategic performance of Citizens.</p>  |
| Q1 | <p>Promote project risk assessment services awareness to support key initiatives. Other key areas of focus include:</p> <ul style="list-style-type: none"> ▪ Facilitate 2022 Strategic Risk Assessment ▪ Continue rollout of AuditBoard Risk Module to business areas ▪ Communicate revised ERM Framework ▪ Facilitate operational, project and scenario risk assessments ▪ OFAC Annual Risk Assessment |
| Q2 | <p>Expand reporting capabilities to provide a holistic view of Citizens' risk profile. Other key areas of focus include:</p> <ul style="list-style-type: none"> ▪ Coordinate 2022 Strategic Risk Mitigation Plans ▪ Continue rollout of AuditBoard Risk Module to business areas ▪ Facilitate operational, project and scenario risk assessments |
| Q3 | <p>Complete 100% of operational risk assessments for 81 (of the 84) processes in the universe. Recurring updates to occur periodically and when processes or risks significantly change to ensure the risk profile remains relevant and timely. Other key areas of focus include:</p> <ul style="list-style-type: none"> ▪ Facilitate operational, project and scenario risk assessments ▪ Collaborate on the 2023 Strategic Planning |
| Q4 | <p>Encourage the Risk Champions to utilize the self-service capabilities within the Risk Module. Other key areas of focus include:</p> <ul style="list-style-type: none"> ▪ Planning and preparation for 2023 Strategic Risk Assessment ▪ Facilitate operational, project and scenario risk assessments |




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3. Internal Control

Citizens' Internal Control Framework (ICF) provides a proactive and structured approach that enables management to perform ongoing validation of the design and effectiveness of Citizens' top primary controls contributing to the strength of our control environment. The Internal Controls (IC) team designed, implemented, and maintains the ICF, assists management with control evaluations and assessments, and collaborates with management to improve the maturity level of the internal control environment. The framework is modeled after the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Control Framework and customized to fit the unique needs of our organization.

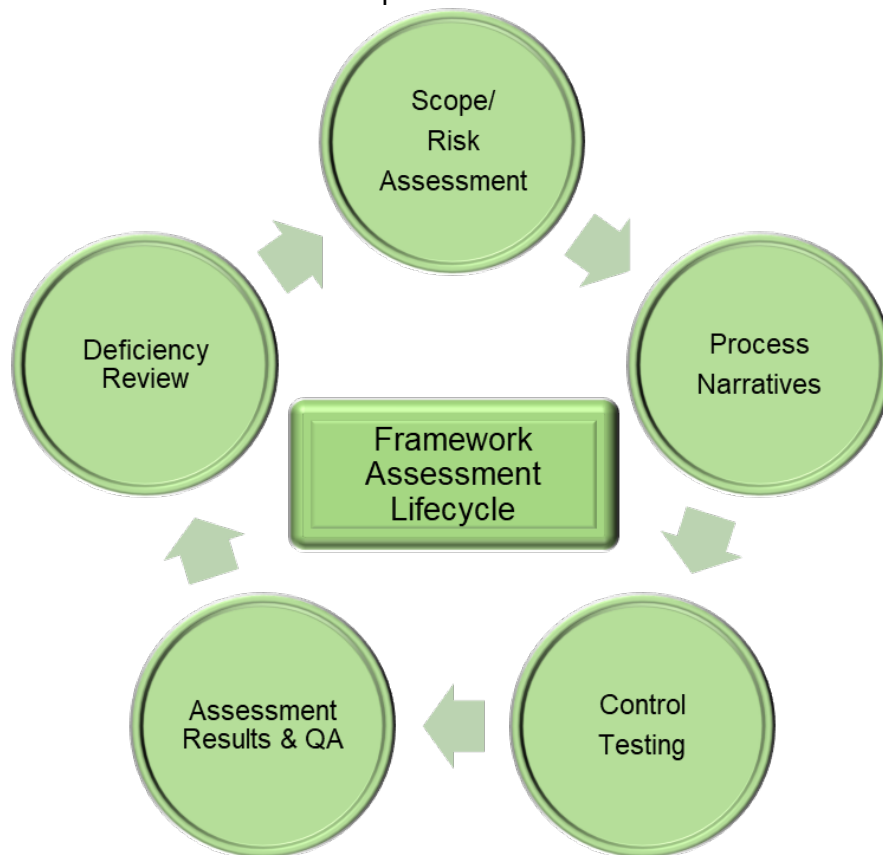
The chart below provides an overview of the key areas of focus for the IC team during 2022:

| | |
|------------------------|---|
| 2022 IC Areas of Focus | <p>The Internal Controls team provides oversight and support to management by providing consulting on leading practices, facilitating control assessments, and conducting periodic, objective reviews of management Control Self Assessments (CSAs).</p>  |
| Recurring | <ul style="list-style-type: none"> Annual goal to complete quality assurance reviews on 1/3 of the business processes with primary controls (Approximately 4 per quarter) Monitor progress on controls that need improvement Provide consultative support to Control Champions and management |
| Q1 | <ul style="list-style-type: none"> Report 2021 CSA Results Promote self-service capabilities within the AuditBoard Narrative Module to Control Owners, Control Champions, and management |
| Q2 | <ul style="list-style-type: none"> Expand monitoring and reporting capabilities for Control Owners, Control Champions and management |
| Q3 | <ul style="list-style-type: none"> Complete 100% of the primary control refreshes and new processes assigned to the IC team Encourage the Control Champions to utilize the self-service capabilities within the Control and Narrative Modules |
| Q4 | <ul style="list-style-type: none"> Coordinate and manage the timely completion of the 2022 Annual CSAs performed by Control Champions and management Provide consultative support to Control Champions and management on CSA results as needed Facilitate the completion of the annual process narrative updates |



Detailed Plan

Control assessments are performed using a cyclical assessment covering major aspects such as scope assurance and deficiency assessment. These efforts culminate in the delivery of an opinion on the effectiveness of Citizens' system of internal controls as well as a maturity model depicting Citizens' current standard of operation as it relates to each framework principle.



4. Insights Driven Assurance

In alignment with Citizens strategy and plan for advanced analytics, the OIA Data Analytics team supports the integration of digital technologies into the OIA function. This effort expands the coverage and capabilities of the OIA team and when sustained, leads to Insights Driven Assurance. During 2022, the OIA Data Analytics team will focus on:

- Continuing to enhance and share with the OIA team our understanding of Citizens. We will achieve this by building and maintaining technology tools for testing and dashboards for monitoring business transactions and results.
- Strengthening our team to reduce our dependency on other Citizens groups for program development.
- Solidifying our reliable hands-free on-demand access to key Citizens data through robotic process automation (RPA) and continued upkeep of our data mart repository.
- Supporting and streamlining the operations of OIA teams by providing them self-service tools and consulting or direct participation on audits and other projects.

Since the scope of digital technologies is so broad, it is useful to consider the team activities under three umbrellas: (1) Foundation and Administration, which enable the program, (2) data



Detailed Plan

analytics, or human supported by computer activities; and (3) cognitive analytics, hands free identification of events or anomalies for human review and research.

| Insights Driven Assurance | |
|--|--|
| OIA Data Analytics Program <ul style="list-style-type: none">• Dashboards and Reporting• Red Flag Analysis• Internal Audit Engagement Support | OIA Cognitive Analytics Program <ul style="list-style-type: none">• Automation & RPA• Predictive & Machine Learning• Cognitive Analysis |
| Foundation & Administration (Environment; infrastructure; platform; tools; data security; capabilities) | |

Together these enable insights driven assurance for audit, enterprise risk management and internal control monitoring, and this in turn may include benefits such as comprehensive coverage and improved assurance.



Appendix 1 - Aligning the Audit Plan to Citizens' Strategic Themes

Internal Audit uses a collaborative risk-based approach in supporting Citizens in the achievement of its strategic goals. The following table aligns the audit plan with Citizens' strategic themes for 2021.

| Citizens' Strategic Themes | OIA Themes | Potential Engagements |
|--|---|---|
| Identify and implement strategies to reduce Citizens' exposure | <ul style="list-style-type: none"> • Corporate Expense and Exposure Management • Corporate Effectiveness • Innovation & System Conversions | <ul style="list-style-type: none"> • ELT & OKR Metrics • Legislative Update Implementation • Procurement Process • Risk Inspection Program • SaaS Contract Language • Suspense Account Management • Underwriting Quality Assurance Program |
| Ensure scalability, flexibility, and resiliency in our operations to optimally serve customers | <ul style="list-style-type: none"> • Innovation & System Conversions • Security & Privacy Culture • Corporate Effectiveness • Fraud Detection and Deterrence • Corporate Expense and Exposure Management | <ul style="list-style-type: none"> • Agency Administration • Application & Infrastructure Standards Conformance • Change and Release Management • Citizens Insurance Suite Cloud Migration • Check Printing Software Implementation (Claims) • Cloud Computing Controls • Cloud Migration Program • Customer Engagement Platform • Document Recognition Program • ePayments (premium receipts) Software • Financial Planning and Analysis • FMAP/Clearinghouse Re-imagine Project • Identity and Access Management • IT Asset Management • IT Security Governance • IT Service Management • Malicious Software • myAgency • Network Assessment • Policy Services for Underwriting • Rate Override Technology • Software Asset Management • System Integration Tool Cloud Migration • Systems Resiliency Test (Cloud) • Unified Communications as a Service • Vendor Invoicing Software Implementation • Vulnerability and Patch Management |
| Identify and implement strategies to reduce litigation and enhance litigation capabilities | <ul style="list-style-type: none"> • Regulatory Support and Compliance • Corporate Effectiveness | <ul style="list-style-type: none"> • HB 1079 Post Implementation Audit • Claims Legal Services Guidelines • Legal Billing |



Appendix 1 - Aligning the Audit Plan to Citizens' Strategic Themes

| Citizens' Strategic Themes | OIA Themes | Potential Engagements |
|--|--|---|
| | <ul style="list-style-type: none"> • Corporate Expense and Exposure Management | <ul style="list-style-type: none"> • Litigation Management System Implementation • Managed Repair Program • SB 1598 Implementation Advisory • SB 76 Post Implementation Audit |
| Invest in and leverage Citizens' greatest resource - our employees | <ul style="list-style-type: none"> • Talent Development and Retention • Fraud Detection and Deterrence | <ul style="list-style-type: none"> • Distributed Workforce • Employee Benefits • Occupational Fraud Awareness • Virtual Observer Privacy |



Appendix 2 - Overview of Potential Audit Engagements

The following table provides a detailed overview of Internal Audit's view of risk and the engagement objective.

| Title | Audit Engagement Justification and Objective |
|--|---|
| Agency Administration | <p>Risk Rationale: Agency Administration maintains compliance and performance programs for appointed Personal Lines agents. The function is critical to help manage over 7,000 appointed agents in addition to helping reducing errors on submitted applications for underwriting.</p> <p>Objective: To evaluate the adequacy and effectiveness of processes supporting Agency compliance objectives and requirements.</p> |
| Application & Infrastructure Standards Conformance | <p>Risk Rationale: Applications and infrastructure components may not be configured in alignment with IT Security and / or hardening standards, potentially creating opportunities for unauthorized or undocumented access and downstream business disruption or security events to occur.</p> <p>Objective: Review elevated risk applications and infrastructure components against IT Security and hardening standards to validate compliance.</p> |
| Change and Release Management | <p>Risk Rationale: Regularly scheduled changes of application code by the cloud vendor or code / configuration changes which are the responsibility of Citizens without appropriate consideration, and/or testing, may cause disruption in business operations or segregation of duties conflicts in access roles. These processes are considered important, with inherent risks associated with undocumented or unapproved system changes.</p> <p>Objective: Evaluate risks associated with periodic mandated vendor application changes and Citizens-owned code / configuration changes and ensure testing, change, and release processes are appropriate for the organization in mitigating these risks.</p> |
| Check Printing Software Implementation (Claims) | <p>Risk Rationale: Check printing software is leveraged to be the system of record for Guidewire check payments to policyholders and other named interests. Citizens is implementing a new check printing software solution in a two-phase approach, beginning in November 2021 and later in 2022. It is critical that there are appropriate system access controls and user privileges in place upon implementation, in addition to physical access controls to the print location.</p> <p>Objective: The objective of this advisory is to provide consultative advice related to processes and controls in the development and implementation of the check printing software.</p> |
| Citizens Insurance Suite Cloud Migration | <p>Risk Rationale: Ineffective cloud migration planning, processes and controls implementation for the primary business operations software may lead to business disruption and unnecessary expenses.</p> <p>Objective: Evaluate planning, testing and migration processes associated with the Citizens Insurance Suite to ensure project governance and implementation processes, including key software and</p> |



Appendix 2 - Overview of Potential Audit Engagements

| Title | Audit Engagement Justification and Objective |
|----------------------------------|--|
| | manual process controls, are effective in reducing business disruption risk. |
| Claims Legal Services Guidelines | <p>Risk Rationale: As part of the continued monitoring of the progress of the working plan and implementation of the initiatives developed by Claims Management in response to EY's observations and improvement opportunities, Internal Audit will provide advisory services as part of the review and update of the Claims Legal Services Guidelines.</p> <p>Objective: Provide advisory services in support of the review of the existing guidelines for outside counsel for strengthening the guidelines to promote expense management and effective management over litigated claims.</p> |
| Cloud Computing Controls | <p>Risk Rationale: When migrating critical applications and infrastructure to the cloud, ineffective cloud implementation processes and controls may lead to business disruption, unnecessary expenses and/or unauthorized access to confidential data.</p> <p>Objective: Validate that appropriate controls and sound practices have been applied in the new cloud environment to ensure continuation of business operations.</p> |
| Cloud Migration Program | <p>Risk Rationale: Migration to cloud services and solutions means reliance upon service providers for applications and infrastructure along with some support services. When migrating critical applications and infrastructure to the cloud, ineffective cloud implementation processes may lead to business disruption, unnecessary expenses and/or unauthorized access to confidential data.</p> <p>Objective: IT management requested that Audit support this project in an advisory capacity. Audit will provide insight related to risks and controls associated with the migration of applications and infrastructure to cloud services during 2023. Audit will also validate that governance processes appropriately support the project and perform new controls implementation testing where requested.</p> |
| Customer Engagement Platform | <p>Risk Rationale: A primary goal of the Customer Service (CX) strategy is technology enhancements that will benefit policyholders and agents. For policyholders, this includes additional self-service options. Optimized technology platforms can ultimately lead to expense reductions by eliminating the need to directly contact Citizens to fulfill simple requests and provide system and process support. Current technology solutions were never intended and/or designed to provide comprehensive customer insights.</p> <p>Objective: To evaluate and assess the adequacy and effectiveness of controls related to processes/technology supporting the CX enhancements in addition to evaluating the efficiencies and realized cost savings.</p> |



Appendix 2 - Overview of Potential Audit Engagements

| Title | Audit Engagement Justification and Objective |
|---|--|
| Distributed Workforce | <p>Risk Rationale: The Distributed Workforce Policy went into effect February 1, 2021. The distributed workforce model can improve employee productivity, job performance and work/life balance, as well as promote administrative efficiencies and savings, reduce transportation costs, support business continuity and enhance capabilities to hire and sustain retention of our highly specialized workforce at Citizens.</p> <p>Objective: Evaluate performance management process developed to ensure adequate oversight is in place to manage and monitor distributed employee performance, productivity, and compliance with corporate policy.</p> |
| Document Recognition Program | <p>Risk Rationale: Citizens is exploring the use and implementation of Optical Character Recognition for specific documents submitted by agents. This type of technology could be a significant time saver to validate submitted documents automatically during the Automated Underwriting process and increase the no touch percentage.</p> <p>Objective: Provide project support and evaluate the effectiveness of processes and key system controls of the Optical Character Recognition process.</p> |
| ELT & OKR Metrics | <p>Risk Rationale: Each month Enterprise Performance Metrics compiles and publishes the Executive Leadership Team Metrics Report to the internal website. This report is used by management to run the organization, make business decisions, and monitor progress. In addition, management has implemented Objectives and Key Results (OKRs) that help implement and execute strategy. Poor data quality or inaccuracy in the data can have negative consequences on critical decision making by management.</p> <p>Objective: To evaluate and assess the adequacy and effectiveness of controls related to data quality and accuracy.</p> |
| Employee Benefits | <p>Risk Rationale: Citizens moved to a self-insured health care benefits strategy in 2017 which produced a \$2M savings driven by the reduction in administrative expenses. Significant reliance is placed on a 3rd party vendor to provide Citizens with loss history analysis and consulting to help Citizens administer the program. Actions of the vendor supporting the self-insured medical plan could negatively impact the programs status.</p> <p>Objective: To assess the management of Citizens health care benefits programs specifically focusing on vendor involvement.</p> |
| Environmental, Social, and Governance (ESG) | <p>Risk Rationale: The demand for transparency on sustainable and socially responsible practices is on the rise for all organizations. Environmental, Social Governance (ESG) analysis and reporting can provide valuable insights for stakeholders.</p> |



Appendix 2 - Overview of Potential Audit Engagements

| Title | Audit Engagement Justification and Objective |
|--|---|
| | <p>Objective: Collaborate with management to examine the role ESG has with various stakeholders and help assess the overall risk to the organization.</p> |
| ePayments (premium receipts) Software | <p>Risk Rationale: Citizens will be procuring a vendor, at the end of 2022, to process ePayments and provide comprehensive reporting capabilities.</p> <p>Objective: Provide project support and evaluate the effectiveness of processes and key system controls of a new ePayments platform.</p> |
| Financial Planning and Analysis | <p>Risk Rationale: Citizens successfully launched the budgeting module in Centerpoint in 2018 and training was conducted for budget users throughout the organization. As a result, a continuous budgeting model was adopted throughout the organization in 2019. The need for continuous budgeting, strategic forecasting, and reforecasting is critical to have clear understanding and communication surrounding financial expectations to make strategic decisions and adjust resource allocations in response to changing conditions.</p> <p>Objective: Evaluate the adequacy and effectiveness of controls related to the Financial Planning and Analysis process.</p> |
| Financial Statements Software | <p>Risk Rationale: Citizens is considering replacing the current Financial Statement Software and current vendor, at the end of 2022.</p> <p>Objective: Provide project support and evaluate the effectiveness of processes and key system controls of new Financial Statement Software.</p> |
| FMAP/Clearinghouse Re-imagined Project | <p>Risk Rationale: Citizens' Policy Eligibility Reimagined is about finding a more efficient IT solution combining FMAP and the Clearinghouse processes to meet regulatory requirements.</p> <p>Objective: Internal Audit will provide consultative advice on design of process and controls and timely escalation and handling of project issues.</p> |
| HB 1079 Post Implementation | <p>Risk Rationale: House Bill 1079 was introduced during the 2021 legislative session and signed into law, becoming effective July 1, 2021. This bill made several changes to the evaluation, management, and oversight of competitively procured contracts for commodities and contractual services. Internal Audit monitored the development of initiatives to comply with the bill's requirements and has been asked by Vendor Management and Purchasing (VMAP) to perform a post-implementation audit given the bill's impact in the processes and systems.</p> <p>Objective: Evaluate the effectiveness and adequacy of the controls, processes, procedures, and workflows implemented by VMAP in response to the bill's requirements.</p> |
| Identity and Access Management | <p>Risk Rationale: The IT Security and Risk department is implementing an enterprise-wide strategy to consolidate and centralize user identity and access management processes and technology capabilities. These are significant in the role of cybersecurity. New security applications</p> |



Appendix 2 - Overview of Potential Audit Engagements

| Title | Audit Engagement Justification and Objective |
|------------------------------|---|
| | <p>which will provide Identity Governance and Administration as well as Access Management for applications are being procured, with implementation targeted to begin in 2022.</p> <p>Objective: Audit will perform a post implementation review of processes and controls related to the new software solutions that are being implemented to validate that controls align with policies, standards, and common practices.</p> |
| Income Statement Large Spend | <p>Risk Rationale: As part of being a cost-conscious organization, regular review of spending trends throughout the organization focusing on large cost categories are necessary to ensure appropriate internal controls have been implemented.</p> <p>Objective: To assess income statement categories and related accounts focused on large expenses.</p> |
| IT Asset Management | <p>Risk Rationale: IT hardware assets are inventoried and tracked to avoid redundant purchases and allow operations personnel to proactively replace outdated hardware that is nearing the end of its life cycle. Inadequate or ineffective infrastructure life cycle methods with associated roles and responsibilities to track infrastructure (e.g., servers, workstations, laptops, network devices, etc.) may lead to unnecessary expenses.</p> <p>Objective: Assess controls associated with the hardware lifecycle to ensure data is reliable for decisions associated with asset expenses and disposal. Validate processes are implemented to manage and monitor system capacity and performance.</p> |
| IT Security Governance | <p>Risk Rationale: Sound policies and processes within the IT Security and Risk department ensure appropriate risk management, enterprise compliance to policies and standards and effective use of resources. Strategies and objectives should be developed to align with business goals with underlying foundational programs and processes supporting those objectives. Absent appropriate oversight, lack of appropriate IT security risk mitigation may impair business performance.</p> <p>Objective: Evaluate governance processes related to the strategy, policies, programs, and metrics to direct, manage and monitor IT security for the enterprise.</p> |
| IT Service Management | <p>Risk Rationale: The organization relies upon adequate, accurate and approved IT services being handled timely in support of internal customer requests and incidents. Some IT services will be migrated to Managed Workplace IT Services beginning in early 2022.</p> <p>Objective: Evaluate the adequacy and effectiveness of processes developed for handling IT service requests, incidents, and other digital work flows as well as data integrity, appropriate approvals, service level agreements, and user access controls.</p> |



Appendix 2 - Overview of Potential Audit Engagements

| Title | Audit Engagement Justification and Objective |
|---|--|
| Legal Billing | <p>Risk Rationale: With the implementation of the new Litigation Management System the legal billing review guidelines will be revised in alignment with updated system capabilities.</p> <p>Objective: Internal Audit will provide advisory services in support of the design of processes and practices put in place to manage the business more efficiently and effectively.</p> |
| Legislative Update Implementation | <p>Risk Rationale: Citizens monitors State of Florida legislative changes during session and once bills are signed impacting Citizens processes, projects teams are assembled to interpret and implement regulatory changes.</p> <p>Objective: Internal Audit will provide consultative advice related to controls of impacted business areas and the project management process to ensure effective and timely escalation and handling of project issues.</p> |
| Litigation Management System Implementation | <p>Risk Rationale: Citizens relies on 100+ outside defense firms to provide claims-related legal defense counsel services. Citizens' ability to manage complex legal bills submitted by contracted defense counsel representing Citizens in litigated matters continues to be an integral process in support of controlling costs and ensuring a strong financial operating environment.</p> <p>Objective: Internal Audit will participate on the project team and provide process, risk, and controls advice for the implementation of the Claims Litigation Management System.</p> |
| Malicious Software | <p>Risk Rationale: The speed and complexity of threat vectors such as malware continue to rise. It is important to understand the threats and deploy solutions and processes to gain insight and deter potentially successful attacks. Citizens deploys a defense-in-depth strategy when securing the network and extended network environments. IT Security is deploying additional solutions for improved protection against these threats.</p> <p>Objective: To evaluate threat prevention solutions, processes, and user training related to malware threats to ensure risks are aligned with tolerance.</p> |
| Managed Repair Program | <p>Risk Rationale: In July 2017, Citizens established the Managed Repair Program (MRP), to help reduce the rising cost of water loss litigation. In 2018, Internal Audit conducted a post implementation review, however it was limited due to the minimal claim volume participating in the program at that time.</p> <p>Objective: To complete a comprehensive review of product revisions and process efficiency.</p> |
| myAgency | <p>Risk Rationale: The Agency Management System (AMS) Phase 1 was successfully implemented in Q3 and Q4 2020. This platform supports the</p> |



Appendix 2 - Overview of Potential Audit Engagements

| Title | Audit Engagement Justification and Objective |
|----------------------------------|--|
| | <p>tracking and monitoring of agent licenses, commission, performance, investigations, complaints, and key performance indicators.</p> <p>Objective: Evaluate the adequacy and effectiveness of controls related to the Agency Management processes and application.</p> |
| Network Assessment | <p>Risk Rationale: Cyber-crime requires that companies remain vigilant, constantly review system vulnerabilities, and evolve protection mechanisms to adjust to the current risk landscape. It is prudent to test network security and associated vulnerability management processes to validate processes are working as intended to reduce the risk of business disruption.</p> <p>Objective: Evaluate the adequacy and effectiveness of vulnerability management processes implemented to safeguard Citizens' computer network and ensure that network security and availability adequately support the objectives of the business. Audit will monitor the network assessment and validate potential cyber risks are tested and results are adequately addressed.</p> |
| Policy Services for Underwriting | <p>Risk Rationale: Policy Services performs administrative underwriting tasks to provide efficiency to the Underwriting process. This is a critical process to mitigate work moving to the underwriters, which is needed in the current market environment as Citizens is receiving approximately 6,000 new policies a week.</p> <p>Objective: To evaluate the adequacy and effectiveness of process controls supporting the Policy Services function.</p> |
| Procurement Process | <p>Risk Rationale: Citizens' procurement requirements are established by Florida law and the Purchasing Policy. Citizens' is required by law to comply with 287.057, Florida Statutes, which is the Florida statute governing procurement by state agencies. In addition, bid protests, public records laws, and public meeting laws (the Sunshine Law) also apply to Citizens, procurements. The applicable requirements for procurements usually are determined by the dollar value of the purchase.</p> <p>Objective: To evaluate and assess the adequacy and effectiveness of controls related to the procurement selection process.</p> |
| Rate Override Technology | <p>Risk Rationale: PolicyCenter now enables authorized Underwriters to correct the system-generated premium for new-business and renewal policies. Premium changes are necessary under certain circumstances, such as for rate capping adjustments to maintain Citizens' glide path. As the process has significantly changed the audit is important to validate the implemented control structure and ensure the controls are working as intended.</p> <p>Objective: The audit is to evaluate the effectiveness and adequacy of key business processes and control functions related to the rate override process.</p> |



Appendix 2 - Overview of Potential Audit Engagements

| Title | Audit Engagement Justification and Objective |
|---|--|
| Regulatory Support (Market Conduct Exam) | <p>Risk Rationale: Internal Audit in its liaison role is responsible for coordinating with the Florida Office of Insurance Regulation (OIR) Market Conduct examiners who perform their biennial exam beginning in September and is expected to be completed by February 2023. Most of the coordination efforts constitutes meeting planning, information request tracking and delivery, and overall ensuring the examiners/auditors receive the correct information timely.</p> <p>Objective: Coordinate the exam across the organization.</p> |
| Risk Analysis & Red Flags | <p>The cornerstone of OIA's fraud awareness program, transactional risk analysis and identifying red flags, provides the context needed to share the knowledge with the company through training sessions, but also direct our data analytics and targeted audit efforts to the most relevant risks.</p> |
| Risk Inspection Program | <p>Risk Rationale: Citizens will begin taking the necessary steps to significantly expand the use of inspections by developing models and leveraging existing and emerging technologies to gain efficiencies to positively impact underwriting results.</p> <p>Objective: Internal Audit provides consultative advice related to controls of impacted business areas and the project management process to ensure effective and timely escalation and handling of project issues.</p> |
| SB 1598 Implementation | <p>Risk Rationale: House Bill 1598 was introduced during the 2021 legislative session and signed into law, with some provisions becoming effective July 1, 2021 and others January 1, 2022. This bill impacted some Citizens business units, particularly Claims operations.</p> <p>Objective: Internal Audit will provide advisory services in support of the implementation of the processes and procedures necessary to comply with the requirements of Senate Bill 1598 being implemented effective January 1, 2022.</p> |
| SB 76 Post Implementation | <p>Risk Rationale: Senate Bill 76 was introduced during the 2021 legislative session and signed into law, becoming effective July 1, 2021. This bill impacted several Citizens business units, particularly Claims operations. Internal Audit monitored the development of initiatives to comply with the bill's requirements and has been asked by Claims Management to perform a post-implementation audit given the bill's impact in the Claims operation.</p> <p>Objective: Evaluate the effectiveness and adequacy of the controls, processes, procedures, and workflows implemented by Claims Management in response to the bill's requirements.</p> |
| Software Asset Management | <p>Risk Rationale: The absence of sound software lifecycle practices to provide optimization of software usage, cost reduction where possible and accurate licensing processes may lead to an ineffective cost model, licensing fines and / or reputational damage.</p> |



Appendix 2 - Overview of Potential Audit Engagements

| Title | Audit Engagement Justification and Objective |
|---|---|
| | <p>Objective: Validate that sound software lifecycle practices have been implemented and are effective in tracking software licensing and cost data.</p> |
| Suspense Account Management | <p>Risk Rationale: A suspense account is a temporary holding place for accounting entries until the destination for the entry is confirmed. Included in these types of accounts could be monetary transactions such as cash receipts, cash disbursements and journal entries. It is important to periodically review these accounts to ensure the timeliness of researching and clearing transactions to their appropriate account.</p> <p>Objective: Determine whether the suspense accounts are being used for the intended purpose and transactions are resolved in a timely manner.</p> |
| System as a Service Contract Language | <p>Risk Rationale: The use of a standard terms contract template is the preference when contracting with a new software as a service (SaaS) provider. This contract and related language sets expectations and outlines consequences in case a vendor fails to deliver. If the contract is not complete and/or explicit enough this could lead to increased contract risks.</p> <p>Objective: Evaluate the current standard terms contract template used with SaaS vendors. Perform a gap analysis to validate contract language, terms, and conditions to reduce contract risk.</p> |
| System Integration Tool Cloud Migration | <p>Risk Rationale: The current System Integration Tool provides integration between many internal and external software applications required for business operations. A new cloud-based platform, Oracle Integration Cloud Service, was chosen for implementation where security access and data integrity controls are key.</p> <p>Objective: Perform a post implementation review to validate that access controls have been assigned appropriately and that sound practices have been applied to assure data integrity in managing connections and data.</p> |
| System Resiliency Test (Cloud) | <p>Risk Rationale: System Resiliency is generally a subset of overall Business Resiliency planning and focuses on the technology systems that support business functions. The backup data center will be migrated to cloud services to complement the applications and infrastructure which will be cloud-based. It is important that the company has a viable failover process if primary systems are not available. The new cloud-based failover infrastructure and processes should be well tested to validate that they will support potential business disruptions.</p> <p>Objective: Evaluate the systems resiliency plan and testing events to validate to the extent possible, that the cloud infrastructure, plan, and corresponding processes will meet the business needs in a recovery event without the current physical backup data center.</p> |
| Underwriting Quality Assurance | <p>Risk Rationale: The Quality Improvement Team (QI) performs quality reviews for several operational processes throughout the organization.</p> |



Appendix 2 - Overview of Potential Audit Engagements

| Title | Audit Engagement Justification and Objective |
|--|--|
| | <p>This review will focus on the Personal Lines quality assurance processes such as policy change requests, cancellations, non-renewals etc., performed by Underwriters to promote continuous feedback of quality, accuracy, and proactive feedback to improve performance.</p> <p>Objective: Evaluate the effectiveness and adequacy of key business processes and control functions related to the personal lines underwriting Quality Assurance review process.</p> |
| Unified Communications as a Service | <p>Risk Rationale: When migrating critical infrastructure and applications to cloud services, ineffective implementation processes may lead to business disruption or unnecessary expenses. Reliable telephony and contact center services are important not only to daily business operations, but more significantly to Citizens' call centers which support agents and policyholders.</p> <p>Objective: Audit will perform a post implementation review of the new cloud telephony and contact center solutions to ensure they include appropriate controls and adequately support business operations.</p> |
| Vendor Invoicing Software Implementation | <p>Risk Rationale: To help automate manual Independent Adjuster and vendor invoice handling processes, Claims Management will be implementing an integrated vendor invoice submission software. This software will ensure consistency and compliance with contractual requirements.</p> <p>Objective: Internal Audit will provide advisory services in support of the implementation of VIP Software to ensure automation provides timely and accurate payments.</p> |
| Virtual Observer Privacy | <p>Risk Rationale: Quality Improvement Management listens to employee calls and views screen navigation for quality assurance purposes. Personal and/or sensitive data can be captured as part of these systematic recordings. The recording/intercepting of audio and/or video creates potential privacy concerns for our employees.</p> <p>Objective: To assess the recent enhancements made to comply with Federal and State statutes related to the recording/intercepting of audio and/or video.</p> |
| Vulnerability and Patch Management | <p>Risk Rationale: Managing cyber risks includes identifying, evaluating, resolving, and reporting on security vulnerabilities in systems and software. The process and corresponding threat mitigation are vital to minimizing the attack surface and proactively managing the risk within a network environment.</p> <p>Objective: Review vulnerability and patch management policies, procedures and practices and ensure processes are working as intended to timely close security gaps which could be exploited and reduce the risk to a tolerable level.</p> |



Appendix 3 – OIA’s View of Citizens Process Universe

| Internal Audit Process Universe | | |
|---|---|---|
| Assurance | <ul style="list-style-type: none"> Enterprise Risk Management | <ul style="list-style-type: none"> Internal Control Framework |
| Claims | <ul style="list-style-type: none"> Catastrophe Planning, Testing & Coordination Claims Governance Claims Legal Billing | <ul style="list-style-type: none"> Claims Litigation Claims Operations Claims Vendor Management Special Investigative Unit |
| Comm’s, Legislative & External Affairs | <ul style="list-style-type: none"> Corporate Communications Insurance Technical Comm’s | <ul style="list-style-type: none"> Legislative & Cabinet Affairs Public External Relations & Outreach |
| Consumer & Policy Services | <ul style="list-style-type: none"> CPS Processes | <ul style="list-style-type: none"> Customer Correspondence |
| Enterprise Governance | <ul style="list-style-type: none"> Corporate Governance | |
| Enterprise Operations | <ul style="list-style-type: none"> Agency Management Clearinghouse Operations Commercial Lines Underwriting Continuous Improvement Depopulation Operations Enterprise Performance Metrics Enterprise Strategy & Planning Support FMAP Personal Lines Underwriting | <ul style="list-style-type: none"> Product Development – Applications, Forms & Rules Product Development & Rate Implementation Project Portfolio Management Purchasing Software Asset Management Underwriting Quality Improvement Vendor Management |
| Enterprise Operations (IT) | <ul style="list-style-type: none"> IT Application Delivery IT Application Development IT Application Quality Assurance IT Change & Release Management IT Configuration Management IT Enterprise Architecture IT Enterprise Resilience (BCP & DRP) IT Governance | <ul style="list-style-type: none"> IT Information Management IT Infrastructure IT Knowledge Management IT Operations IT Problem Management IT Security & Risk IT Service Request Management IT Systems Application Development |
| Financial Services | <ul style="list-style-type: none"> Accounts Payable Cash Management & Treasury Claims Accounting & Disbursements Commissions Payments & Accounting Compliance FS Corporate Analytics Depopulation Billing, Settlements & Accounting Escheatment Processing & Accounting Financial Close Financial Planning & Analysis | <ul style="list-style-type: none"> Financial Reporting Investments Accounting Investments Management & Compliance Loss Reserve Development IBNR Pre- & Post-Event Liquidity Bond Financing Premium Accounting Premium Invoicing, Refunds & Suspense Premium Remittance Processing Rate Development Actuarial Reinsurance Servicing & Accounting Risk Transfer Strategy & Execution |
| Human Resources | <ul style="list-style-type: none"> Compensation Employee Benefits Facilities Management HR Strategic Services | <ul style="list-style-type: none"> HR Systems & Reporting Learning & Development Payroll Talent Acquisition |
| Legal | <ul style="list-style-type: none"> Claims Legal Compliance Corporate Insurance Corporate Legal | <ul style="list-style-type: none"> Ethics Privacy Records Management |