

Office of the Internal Auditor

AUDIT REPORT

May 2022

Underwriting Quality



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Underwriting Quality Audit



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Executive Summary

Background

Citizens' mission is to provide personal, commercial residential, and non-residential property insurance to those unable to obtain coverage through the private market. There have been significant deteriorating financial conditions in the Florida insurance market over the past few years, resulting in significant increases in Citizen's new policy underwriting volume, as insurance carriers cut back on offering insurance coverage.

Citizens has experienced a growth of 240,000 policies in 12 months from April 2021 through March 2022. Current Policies in Force (PIF) are slightly more than 870,000 up from 414,000 policies in 2018. Citizens has hired additional staff and increased engagement of 3rd party vendors to perform underwriting activities to meet demand.

Citizens Underwriting has an integral business partner which provides independent Quality Assurance (QA) programs to ensure that personal and commercial lines underwriting adhere to the highest quality standards, both internally for staff, and externally with vendors. These underwriting QA programs measure multiple aspects of an underwriting transaction such as new business eligibility, policy changes, data quality, customer service, and automated underwriting post-issuance. In 2021, the QA Team performed 9,131 of underwriting reviews or .00042% of total underwriting transactions.

Objectives and Scope

The audit evaluated the effectiveness and adequacy of key business processes and control functions related to the Personal Lines Underwriting Quality Assurance process including:

- Review comprehensiveness of quarterly metrics dashboard to management
- Verify timeliness and accuracy of metric reports
- Validate QA underwriting elements align with policy and procedures
- Review performance of periodic calibration sessions
- Review underwriting management QA performance monitoring
- Validate underwriters' performance goals align with QA results for accountability
- Review underwriting management metric report trend and root cause analysis and action taken to follow up on negative trends
- Analyze underwriting quality performance trends

Results

Results from the audit work indicate that there are effective processes and controls in place to monitor underwriting quality and performance.

Specifically, the following key strengths were observed:

- Underwriting key elements and trend analysis metrics provide important data regarding underwriter performance and identify top opportunities for actionable improvement.
- Underwriting QA dashboard reports for staff and vendors are accurate and delivered timely.
- Successful and meaningful communication between Underwriting Leadership and Quality Improvement occurs weekly.



Executive Summary

- Trending issues from other sources such as feedback received via email, CCC, and agents provide continuous input to Underwriting Leadership and staff to continually improve.

A low rated observation was identified and discussed with management and corrective action is underway.

We would like to thank management and staff for their cooperation and professional courtesy throughout this audit,



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