

Office of the Internal Auditor



AUDIT REPORT February 2023

BIPIP Audit
(Bulk Intake Private Insurer Policies)



Report Number: 2023-AUD-01
BIPIP Audit



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Executive Summary

Background

Citizens, as the property and casualty insurance company of last resort, assists the State of Florida when an insurer is declared insolvent or is in financial distress through a Bulk Intake Private Insurer Policies (BIPIP) process. Citizens' handling of policies acquired during a BIPIP assumption is based on the state of the private market insurance company and the approved order by the State of Florida Office of Insurance Regulation (OIR). Eleven insurance carriers have been affected by either insolvency or OIR orders of early cancellations from November 2019 to December 2022, all differing in size and complexity.

To date, Citizens has received approximately 60,128 policies through the BIPIP process. When a private market insurance company is ordered into receivership by the State of Florida, Citizens stays in close contact with the state regulators and, if ordered to do so, will offer coverage to the policyholders who cannot find private-market coverage. This also applies when a private market insurance company is or may be in a hazardous financial condition without the cancellation or non-renewal of some or all of its policies. A private insurer involved in full receivership can be handled very differently from an order resulting in the cancellation or non-renewal of some or all of its policies to avoid a hazardous financial condition. While Citizens will offer coverage on most policies that cannot be placed in the private market, the offer is not guaranteed. An OIR order may allow flexibility for Citizens to follow standard new business submission procedures, including Property Insurance Clearinghouse, where the risks are subject to all eligibility, underwriting, documentation requirements, and cancellation or non-renewal action.

To help Florida property owners receive insurance coverage, Citizens submits BIPIP communications to the affected agencies, Florida property owners affected by the insurance company receivership, and Citizens staff and vendors. Communications include letters, emails, press releases, resource materials, and website updates that occur before, during, and after the BIPIP process.

Objectives and Scope

To evaluate the business processes and controls to ensure the BIPIP policies meet Citizens' eligibility and underwriting requirements. The scope includes a review of the following areas:

- Data transfer from prior carriers is accurate and allows quick quotes for agents to be issued timely and accurately.
- Underwriting business rules for new business policies >\$700K and >\$1M for Miami Dade are reviewed for proper eligibility.
- BIPIP process applied for onboarding policies into PolicyCenter follows UW business rules and documentation for eligibility.
- OFAC requirements for obtaining SSNs on all new business applications are completed.
- Ineligible risks are removed in a timely manner.
- Policies approved for deferred documents are flagged for follow-up, and proper file documentation is timely and accurate.



Executive Summary

Audit Results

Results from the audit work indicate adequate processes and controls are in place to meet Citizens' eligibility and underwriting requirements.

Specifically, the following key strengths were observed:

- The data policy file preparation and clean-up process from the prior carrier's data is effective, with robust controls providing accuracy to manage the production upload of policies and provide timely and accurate quick quotes for agents.
- BIPIP policies above the limit of underwriting business rules for Coverage A are prevented from entering the Citizens' book of business.
- A dedicated underwriting team performs deferred document follow-up for proper new business eligibility and non-renewal of an ineligible policy within the 90-day deferral period.
- Inspections of BIPIP risks are ongoing, with approximately 17,500/29% inspected.

Recently, underwriting began using RPA (Robotic Process Automation) to identify BIPIP policies with permissible deferred documents for eligibility. RPA identifies the document(s) received by underwriting, allowing less manual review from underwriters and increasing the efficiency of an otherwise time-consuming process.

We want to thank management and staff for their cooperation and professional courtesy throughout this audit.



Distribution

Addressee(s) Stephen Mostella, VP - Underwriting

Business Leaders:

Tim Cerio, President/CEO/Executive Director

Kelly Booten, Chief Operating Officer

Audit Committee:

JoAnne Leznoff, Citizens Audit Committee Chair

Carlos Beruff, Citizens Audit Committee Member and Chairman of the Board

Scott Thomas, Citizens Audit Committee Member

Following Audit Committee Distribution:

The Honorable Ron DeSantis, Governor

The Honorable Jimmy Patronis, Chief Financial Officer

The Honorable Ashley Moody, Attorney General

The Honorable Wilton Simpson, Commissioner of Agriculture

The Honorable Kathleen Passidomo, President of the Senate

The Honorable Paul Renner, Speaker of the House of Representatives

The External Auditor

Completed by Kay Weldon, Internal Audit Manager

Under the Direction of Joe Martins, Chief of Internal Audit