

ANNUAL REPORT

2022

OFFICE OF INSPECTOR GENERAL

Mark Kagy

Inspector General

A report of the Office of Inspector General's
activities and accomplishments.

A Message from the Inspector General

On behalf of the Office of Inspector General (OIG) for Citizens Property Insurance Corporation (Citizens), I am pleased to submit this annual report which summarizes the OIG's major activities for calendar year 2022.

The OIG's mission is to protect the integrity of Citizens and its public purpose to provide property insurance products and services to eligible Floridians. The OIG accomplishes its goals by serving as an independent, investigative entity, which is administratively housed within Citizens. Our job is to help Citizens operate with accountability, integrity, and efficiency. We do this by conducting objective, fact-based analyses, and developing impartial reports.

In 2022, Citizens was impacted by several factors.

Growing Policy Count

Ongoing industry trends are resulting in an increase in policy count and overall financial exposure for Citizens. Citizens entered 2022 with a total of 759,305 policies across all accounts and ended with 1,145,811 policies, an increase of over 50%.

Legislative Action

Two special sessions of the Florida Legislature held in 2022 delivered reform. Notable changes include the eliminations of one-way attorney fees and the option for policy holders to utilize an "assignment of benefits." These AOBs passed insured rights to contractors, including the right to enter into litigation under the former one-way-fee structure. Citizens expects these changes to greatly reduce litigation costs; however, the affects may take months or years to fully realize.

Hurricane Ian

One of the costliest storms in Florida's history, Hurricane Ian made landfall near Boca Grande, Florida on September 28, 2022, as a Category Four storm. Read more about the OIG observations of Citizens' Hurricane Ian response on page ten of this report.

Increases in policy count and overall exposure are expected to continue. As Citizens adjusts to these growing trends, the OIG must continue to adjust and respond. Managing these efforts will be a primary concern for Citizens' leadership and the OIG for the foreseeable future.

As you will see in this report, the OIG has spent considerable time responding to complaints and requests for assistance or investigations. Although investigative projects are the cornerstone of OIG work, having a proactive approach can often provide resolution before an investigation is necessary. As such, we have made considerable efforts to maintain the OIG presence at Citizens and to build a professional rapport with individual Citizens' divisions. The OIG looks forward to current and future proactive projects such as the awareness campaign for Citizens' anonymous complaint reporting hotline and website - *Tell Citizens*, initiation of a corporate compliance assurance project, and post-hire background checks for all Citizens staff.

In closing, I would like to thank the Chair of Citizens' Board of Governors, and Florida's Chief Inspector General for their support in our operations. The OIG staff is a dynamic team and I appreciate their efforts and continued contributions. I look forward to the future and I am excited to see the continued successes of this office.

Mark Kagy, CCEP, CIG, CFE, CIGI
Inspector General

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Executive Summary

Section 627.351(6), Florida Statutes, establishes Citizens Property Insurance Corporation (Citizens) as a government entity that is an integral part of the state. Citizens is responsible for providing insurance protection to Florida policyholders who are entitled to but are unable to obtain insurance in the private market. Citizens operates pursuant to a plan of operation approved by order of the Financial Services Commission.

Citizens' Office of Inspector General (OIG) was established to "provide a central point for coordination of and responsibility for activities that promote accountability, integrity, and efficiency." The OIG has assembled this Annual Report highlighting the accomplishments and activities of the office.

In 2022, the OIG:

- Received 214 correspondence (defined as inbound communications – these include complaints, referrals, requests for investigation or review, or any other tracked communications).

This resulted in the *initiation* of:

- 15 Cases (five Investigations, nine Investigative Inquiries and an Audit)
- 199 Administrative Projects (Consultations, Referrals, and Administrative Closures)
- Closed 13 Cases (four Investigations eight Investigative Inquiries and one Audit)
- Closed 213 Administrative Projects (Consultations, Referrals and Administrative Closures (two Administrative Projects carried over from 2021)
- Assisted in leading and conducting multiple Citizens training activities, events, and seminars aimed at identifying and enhancing leadership qualities within the corporation
- Continued activities to increase awareness of the OIG and the complaint reporting hotline *Tell Citizens*
- Participated on Citizens' Executive Leadership Team and assisted in corporate response efforts related to COVID-19
- Conducted formal and informal outreach efforts to Citizens' managers, employees, and stakeholders to exchange information regarding OIG and business unit roles, responsibilities, and expectations.

Office of Inspector General

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Corporate Background¹

A Purpose-Driven Mission

Citizens Property Insurance Corporation plays a crucial role in Florida's property insurance marketplace by providing property insurance protection to people who are in good faith entitled to obtain coverage through the private market but are unable to do so. As one of Florida's leading insurers of Florida homes and businesses, we strive to ensure that our customers receive service that is comparable to private-market standards.

Citizens is a not-for-profit company whose employees are driven first and foremost by our mission of service to the people of Florida. In addition to providing a quality product and service, we strive to be good stewards of the premium funds entrusted to us and are committed to modeling the highest level of ethical behavior.

Our purpose-driven mission informs every action and decision we make, and we are proud of the valuable service we provide to our customers and the Florida marketplace.

About Citizens

Citizens was created by the Florida Legislature in August 2002 as a not-for-profit, tax-exempt, government entity to provide property insurance to eligible Florida property owners unable to find insurance coverage in the private market. Citizens is funded by policyholder premiums; however, Florida law also requires that Citizens levy assessments on most Florida policyholders if it experiences a deficit in the wake of a particularly devastating storm or series of storms.

Citizens operates according to statutory requirements established by the Florida Legislature and is governed by a Board of Governors. The board administers a Plan of Operation approved by the Florida Financial Services Commission, an oversight panel made up of the Governor, Chief Financial Officer, Attorney General and Commissioner of Agriculture.



¹ www.Citizensfla.com/who-we-are

The Office of Inspector General

Creation of the OIG

On May 29, 2013, Senate Bill 1770 was signed into law, modifying section 627.351(6)(gg), Florida Statutes. The bill required several modifications to Citizens' structure and operations. Most notably, for purposes here, the bill established the Office of Inspector General (OIG) to "provide a central point for coordination of and responsibility for activities that promote accountability, integrity, and efficiency."

Purpose and Mission

The OIG is an integral part of Citizens. The OIG is authorized by Section 627.351(6)(gg), Florida Statutes. The office's mission is to promote accountability, transparency, integrity, and efficiency in Citizens' operations through independent and objective oversight.

The purpose of the OIG is to "provide a central point for coordination of and responsibility for activities that promote accountability, integrity, and efficiency."

Differentiating the Role

Offices of inspector general are common throughout Florida. All state agencies maintain an office of inspector general, and many local and county government entities and school districts have begun implementing inspector general offices in their jurisdictions.

State government offices of inspector general are housed within each state agency and operate

under the authority of Section 20.055, Florida Statutes. Although not a state agency, Citizens is a government entity and the Citizens OIG is housed administratively within the corporation. Citizens' OIG does not operate under the same authority as state agency offices of inspector general. Citizens' OIG is authorized by Section 627.351(6)(gg), Florida Statutes.

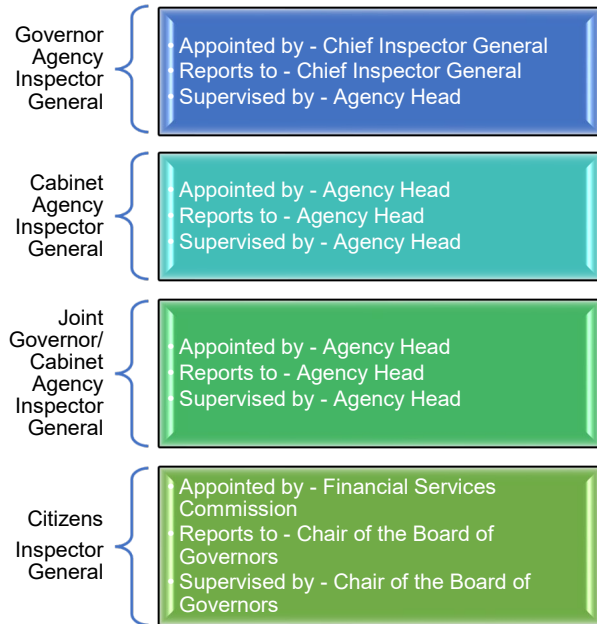
Citizens' OIG is unique in its function and authority as compared to state agency offices of inspector general. Although the reporting structure and responsibility of Citizens' OIG differs from that of state agency OIGs, Citizens' OIG maintains an independent structure and broad authority.

State agency OIGs have authority to conduct audits, investigations, and management reviews, as does Citizens' OIG. With respect to state agency OIGs, the staff and resources required to carry out these functions are housed under a singular OIG unit. Unlike state agencies, Citizens has a separate, independent OIG, and a separate, independent Office of the Internal Auditor (OIA). Citizens' Chief of Internal Audit is appointed by, reports to, and is under the general supervision of the Board of Governors, while reporting functionally to the Audit Committee of the Board of Governors.

Similar to Citizens' OIG, Citizens' OIA has audit, investigation and management review responsibilities in its enabling statute.

Consequently, due to the duality of the OIG and OIA functions, Citizens' Inspector General and Citizens' Chief of Internal Audit have agreed that the OIG will be responsible primarily for investigative activities while the OIA will be responsible primarily for audit functions and will collaborate on projects as necessary and mutually agreed upon. Both offices are required statutorily to cooperate and coordinate activities to maximize efficiencies and avoid duplication of effort.

In addition to investigative, audit, and management review functions, Citizens' OIG also has responsibilities not assigned to state agency OIGs. For example, Citizens' OIG has multiple responsibilities related to Citizens' ethics program, compliance, and security.



Organizational Structure

Citizens' Inspector General is appointed by the Financial Services Commission and may be removed from office only by the commission. The Inspector General reports to, and is under the supervision of, the Chairman of Citizens' Board of Governors.

Mark Kagy was appointed as Citizens' Inspector General in May. The OIG currently consists of four employees:

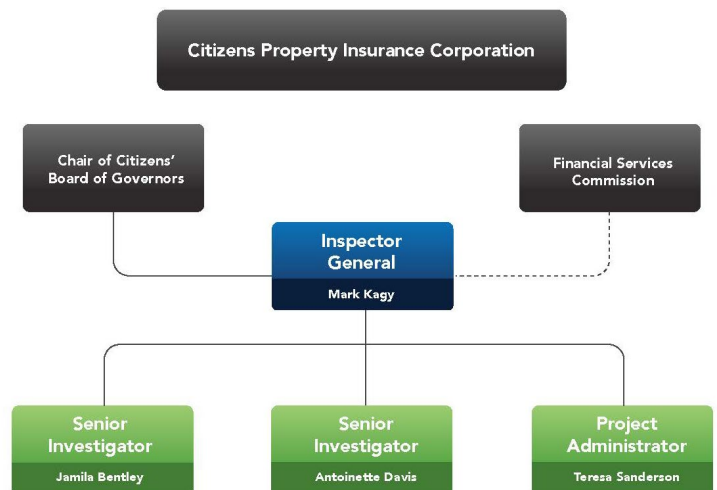
- Inspector General
- Two Senior Investigators
- Project Administrator

The OIG staff functions as a team with each member contributing through their unique background, professional experiences, education, knowledge, and skills.

OIG staff members hold the following specialty certifications and credentials:

- Certified Inspector General (1)
- Certified Compliance and Ethics Professional (1)
- Certified Inspector General Investigators (3)
- Certified Fraud Examiners (2)
- Certified EEOC Investigators (4)
- Notary Public (3)
- Graduate degree (1)
- Bachelor's degree(4)

Organizational Chart



Citizens' Inspector General Responsibilities

In accordance with Section 627.351(6)(gg)2, Florida Statutes, the inspector general shall initiate, direct, coordinate, participate in, and perform audits, reviews, evaluations, studies, and investigations designed to assess management practices; compliance with laws, rules, and policies; and program effectiveness and efficiency. This includes:

- a. Conducting internal examinations; investigating allegations of fraud, waste, abuse, malfeasance, mismanagement, employee misconduct, or violations of corporation policies; and conducting any other investigations as directed by the Financial Services Commission or as independently determined
- b. Evaluating and recommending actions regarding security, the ethical behavior of personnel and vendors, and compliance with rules, laws, policies, and personnel matters; and rendering ethics opinions
- c. Evaluating personnel and administrative policy compliance, management and operational matters, and human resources-related matters
- d. Evaluating the application of a corporation code of ethics, providing reviews and recommendations on the design and content of ethics-related policy training courses, educating employees on the code and on appropriate conduct, and checking for compliance
- e. Evaluating the activities of the senior management team and management's compliance with recommended solutions
- f. Cooperating and coordinating activities with the chief of internal audit
- g. Maintaining records of investigations and discipline in accordance with established policies, or as otherwise required
- h. Supervising and directing the tasks and assignments of the staff assigned to assist with the inspector general's projects, including regular review and feedback regarding work in progress and providing recommendations regarding relevant training and staff development activities
- i. Directing, planning, preparing, and presenting interim and final reports and oral briefings which communicate the results of studies, reviews, and investigations
- j. Providing the executive director with independent and objective assessments of programs and activities
- k. Completing special projects, assignments, and other duties as requested by the Financial Services Commission
- l. Reporting expeditiously to the Department of Law Enforcement or other law enforcement agencies, as appropriate, whenever the inspector general has reasonable grounds to believe there has been a violation of criminal law

OIG Processes

Professional Standards

The OIG is committed to operating in conformity with the Principles and Standards for Offices of Inspector General as established by the national Association of Inspectors General (AIG). These professional ideals promote standardization of practices, policies, and ethics; encouragement of professional development and education; and generation of work products of the highest quality. AIG standards are:

Independence – The inspector general and OIG staff involved in performing or supervising any assignment should be free from personal or external impairments to independence and should constantly maintain an independent attitude and appearance.

Planning – The OIG should maintain a planning system for assessing the nature, scope, trends, vulnerabilities, special problems, and inherent risks of organizational programs and operations and for use in establishing the goals, objectives, and tasks to be accomplished by the OIG within a specific time period.

Organizing – The inspector general is responsible for organizing the OIG to assure efficient and effective deployment of the OIG's resources.

Staff Qualifications – OIG staff should collectively possess the variety of knowledge, skills, and experience needed to accomplish the OIG mission.

Direction and Control – The inspector general should direct and control OIG operations to ensure that (1) all activities are adequately supervised, (2) performance is consistent with professional standards, and (3) periodic internal assessments are made of OIG activities and accomplishments.

Coordination – The OIG should coordinate its activities internally and with other components of government to assure effective and efficient use of available resources.

Reporting – The OIG should keep appropriate officials and the public properly informed of the OIG's activities, findings, recommendations, and accomplishments as consistent with the OIG's mission, legal authority, organizational placement, and confidentiality requirements.

Confidentiality – The OIG should establish and follow procedures for safeguarding the identity of confidential sources and for protecting privileged and confidential information.

Quality Assurance – The OIG should establish and maintain a quality assurance program to ensure that work performed adheres to established OIG policies and procedures, meets established standards of performance, and is carried out economically, efficiently, and effectively.

OIG Investigations Procedures Manual

The OIG has developed a comprehensive internal investigations manual. This manual outlines standard operating procedures and provides the OIG staff with guidance to ensure activities are conducted in a consistent, fair, thorough, transparent, and objective manner. Procedures include detailed and specific standards and expectations.

Professional Education and Training

To ensure staff remain abreast of ever-changing investigative practices and to ensure compliance with professional standards, OIG investigative staff are required to obtain 40 hours of continuing education at least every two years and maintain professional competence.

All members of the OIG annually attend the Equal Employment Opportunity Commission (EEOC) training to maintain their EEOC Investigators certification.

Complaint Triage Process

Citizens' Inspector General convenes meetings to triage complaints received through Citizens' complaint reporting hotline, *Tell Citizens* (or other mechanisms), to discuss the merits of the complaint and collaboratively assign the complaint for handling as appropriate². The vast majority of complaints received are retained by the OIG for investigative projects. However, complaints involving performance issues, grievance matters, and the like, generally are referred to Human Resources (HR) or the appropriate business unit for handling. Offices in receipt of a referral have 30 days to provide a written response to the OIG of actions taken in response to the complaint.

The triage team may include any persons who are in a position that adds value to the triage process. Typically, the triage team consists of the:

- Inspector General
- Chief of Internal Audit
- Ethics and Compliance Officer
- Human Resources Representative

Complaints determined by the Inspector General to meet the requirements of Florida's Whistle-blower Act are not subject to triage. Additionally, OIG investigations, inquiries, or reviews requested by the Chair of Citizens' Board of Governors, the Financial Services Commission, Citizens' President/CEO and Executive Director, an Executive Leadership Team member, or initiated independently by the Inspector General are not

subject to triage. The Chief of Internal Audit is informed of non-triaged investigative projects.

Claims-Based Complaints

On occasion, Citizens' policyholders will contact the OIG to resolve a claim or dispute an indemnity. Likewise, on occasion, claims-related matters are referred to the OIG by external parties, such as the Office of the Chief Inspector General for the Governor, or the Inspector General for the Office of Insurance Regulation. Again, these referrals usually arise from policyholders seeking to resolve claim disputes.

The OIG does not serve in a claims dispute resolution or mediation role. However, Citizens maintains a statutorily required office dedicated to this function. Consequently, upon receipt of claim-focused complaints or referrals, the OIG generally will refer such matters to Citizens' Customer Correspondence Team. The Customer Correspondence Team will review the matter and provide the OIG with an update on its findings within 30 days. The OIG will track and monitor all referrals to the Customer Correspondence Team to ensure matters are addressed and customer concerns are reviewed and resolved promptly and objectively.

Independent Legal Services

On occasion, the OIG is presented with situations, investigations, or other matters that require the assistance of independent, external legal counsel. As an independent office housed within Citizens, it is sometimes most prudent for the OIG to consult external, independent legal counsel for assistance. Notwithstanding, Citizens' internal general counsel's office staff have been very helpful when assistance has been requested as appropriate.

As a matter of routine procedure, the OIG engages outside counsel on all discrimination, harassment, and whistle-blower investigations. The OIG also may engage outside counsel to assist with other complex issues where the potential consequence of error warrants specific legal expertise and prudence.

² Prior to any triage activities, the Inspector General conducts a Whistle-blower analysis to determine if the complaint could meet the requirements of Florida's Whistle-blower Act.

OIG Outreach and Engagement

Education and Outreach Efforts

Offices of inspectors general have existed in most state executive branch organizations for decades; however, the inspector general concept is relatively new to Citizens. Many staff with private sector insurance backgrounds are unfamiliar with the role of the inspector general and related functions. A primary and ongoing goal of the OIG is to impart related knowledge through formal and informal meetings rather than when contact and interaction becomes necessary during an active investigation.

Inspector General Mark Kagy regularly conducts scheduled, in-person/virtual meetings with select corporate vice-presidents, senior directors, and directors. These meetings are designed as information exchange sessions outlining OIG functions while simultaneously gaining an understanding of individual business unit roles. He also addresses individual business units through their team meetings or general “town hall” meetings. These meetings and information exchanges are critical to the OIG function and visibility and will continue throughout 2023.

Leaders Corner Articles

Leaders Corner features articles written by members of Citizens’ Executive Leadership Team and Senior Leadership Team on Citizens’ Intranet Portal. The articles run for about two weeks before they are archived and remain accessible to employees.

Inspector General Mark Kagy wrote two Leaders Corner articles during 2022.

In the first article titled “What to Expect If Contacted by Citizens’ OIG”, Kagy discussed the independence of the office and what to expect when contacted by OIG. Kagy also reminded readers that they can be contacted for other types of reviews, not just investigations. Readers were encouraged to ask questions about our processes and any concerns they may have if they are contacted. Kagy stated “We all have a responsibility to contribute to a safe, fair, and respectful work environment. With your

help, the OIG is here to help protect the integrity of Citizens.”

In the second article titled “It’s Our Job to Keep an Eye Out for Internal Fraud” Kagy discussed using controls as a deterrent for fraud. The article also provided information on how to report suspected fraud. Kagy posed the question “What’s the most critical component of fraud deterrence at Citizens? You are!”

“We all have a responsibility to contribute to a safe, fair, and respectful work environment.”

– Mark Kagy, Inspector General

OIG and Tell Citizens Awareness Campaign

In early 2020, the OIG created a plan to raise the profile of the *Tell Citizens* hotline and increase awareness of the Office of Inspector General. In 2020, the OIG implemented several ongoing activities to educate employees about our office and *Tell Citizens*.

In 2022, the OIG continued to raise awareness of the office with activities such as writing Leaders Corner Articles, updating mandatory employee training with OIG and *Tell Citizens* information, reviewing and updating the OIG page on Citizens’ internal and external sites, providing *Tell Citizens* informational cards with all employee ID badges, and participating in multiple presentations within the organization.

The OIG is accessible to external parties through the Inspector General page on Citizens’ external site which provides an overview of the office, information on how to file a complaint, and general contact information. A contact card for the Inspector General that includes a link to the *Tell Citizens* site can be found under the “Contact Us” page on Citizens’ external site. In addition, an Office of Inspector General contact web form can be completed under the “Email Us” page so external parties can reach the OIG.

Workshop and Seminar Participation

Inspector General Mark Kagy directly participated in multiple Citizens training activities, events, and/or seminars. These events provided an opportunity for Citizens' staff and managers to meet formally and interact with OIG leadership.

Fraud Awareness Week

Every year Citizens plans a Fraud Awareness Week for employees. During this week, which often coincides with International Fraud Awareness week, there are activities and articles that discuss the effects of fraud and what Citizens does to combat fraud. Inspector General Mark Kagy participates in planning the content and activities surrounding this annual event. As part of this year's activities, OIG staff participated in a series of I Stop Fraud profiles highlighting efforts to uncover fraud.



Leadership Summit

Inspector General Mark Kagy participated in corporate-wide leadership summits involving the top leaders at Citizens. This forum provides participants with Citizens' strategic and division-specific priorities and is concluded with a comprehensive question and answer session for Executive Leadership Team members.

Lead 365

Lead 365 is a program developed to guide future leaders. Program topics include leadership and teambuilding, managerial foundations, and mentoring. Rising leaders within Citizens' ranks were identified and participated in this six-month program. Inspector General Mark Kagy provided leadership remarks to the graduates.

Leadership Teams

Citizens' Executive Leadership Team (ELT) consists of the top nine leaders within the corporation and is led by Citizens' President/CEO and Executive Director. Inspector General Kagy has been accorded full membership on Citizens' ELT where he provides perspective and information from his role as

Inspector General during regular and periodic meetings.

As a member of Citizen's Leadership Team, Kagy attended the hurricane and catastrophe response calls.

Committee Involvement

Risk Steering Committee

Citizens' Risk Steering Committee (RSC) is responsible for overseeing the risk management processes for the corporation. Inspector General Mark Kagy participates in these meetings and assists the RSC in its responsibilities to provide leadership through the alignment of risk mitigation activities, prioritizing risk exposures, ensuring optimal risk management, and facilitating open communication across functional units.

Safety and Security Committee

Inspector General Kagy attends Citizens' Safety and Security Committee meetings and provides advice to the committee's chairperson as needed. The committee is responsible for promoting a safe and secure working environment. The committee meets regularly and identifies potential unsafe or unsecure work practices and conditions, provides recommendations for resolution, and analyzes historical trends. The committee also assists in the development of safety and security awareness programs, as well as loss prevention and loss control programs, and promotion of a culture of safety and security.

Kagy takes a lead role in several matters related to the safety and security of Citizens' operations. This year, he was consulted or took a leadership role in resolving eight matters. As a result, there were no known negative impacts to Citizens' staff, vendors, policyholders, or operations. The OIG works continually to monitor threats to Citizens' safety and security and takes immediate actions to resolve any threats.

Employee Well-Being Advisory Committee

Inspector General Kagy is a member of the Employee Well-Being Advisory Committee which partners with Human Resources to provide direction and guidance for program development and recommendations to the Employee Well-Being Council. The committee's responsibilities include:

- Communicating and sharing the vision of the employee well-being programs
- Educating and engaging management
- Championing programs that promote a healthy organizational culture
- Promoting program initiatives and encouraging employee involvement
- Encouraging cross-departmental collaboration within each city to enhance a culture of employee well-being
- Rewarding success through recognition and celebratory activities

Florida Chapter of AIG Board of Directors

The Florida Chapter of the Association of Inspectors General (FCAIG) is a civic, educational, charitable, and benevolent organization for the exchange of ideas, information, education, knowledge, and training among municipal, local, state, national and international inspectors general. The FCAIG fosters and promotes public accountability and integrity in the general areas of the prevention, examination, investigation, audit, detection, elimination, and prosecution of fraud, waste and abuse through policy research and analysis; standardization of practices, policies, conduct and ethics; and encouragement of professional development by providing and sponsoring educational programs. Inspector General Mark Kagy is honored to be serving his second term on the FCAIG Executive Board.

Observation of Citizens' Catastrophe Response

On October 28, 2022, Hurricane Ian made landfall near Fort Myers, Florida as a Category Four storm. Ian resulted in a significant number of fatalities, and is estimated to have resulted in approximately \$113 billion in losses, making it the third costliest hurricane in U.S. history.

Hurricane response is a critically necessary component of Citizens' mission to provide property insurance coverage in Florida. Corporate staff work year-round preparing and planning for emergency response to catastrophes. Prior to Ian's landfall, Citizens'

managers and staff engaged emergency response plans, prepared to strategically place mobile response centers, and attempted to identify the most probable impact points and possible damage.

Catastrophe Response Centers

Immediately after impact, Citizens activated two catastrophe response teams, one in Port Charlotte and one in Fort Myers. Citizens positioned a Claims Service Vehicle (CSV) in each city and opened the Catastrophe Response Centers (CRCs). The purpose of the CRCs is to provide an immediate customer service presence to the hardest hit areas, and to quickly serve those most heavily impacted. Citizens' CRCs allow policyholders to arrive, in person, to file claims and receive Additional Living Expense (ALE) payments to cover immediate costs for temporary housing, food and other necessities.



The CRCs are designed to provide all supplies necessary for staff and policyholders

as supplies in the areas are extremely limited. Citizens utilizes CSVs, which are large trailers equipped with up-to-date equipment necessary to research a policy, a name, or address and begin the claims process. Equipment includes computers, satellite technology, generators, office supplies, tables and chairs, tents, fans, coolers, and many other supplies.

Policyholder Experience

Upon arrival, policyholders were met by a Citizens "Greeter" who is responsible for making first contact, gathering initial information, and placing the policyholder's name in a cue to be addressed by the next available staff member. Greeters also provided water, sunscreen, insect spray, and invited the policyholders into the shaded seating area with fans and charging stations for cell phones and other personal devices.

A “Table Worker” called the policyholder to their workstation to locate the policy, document electronic files with initial damage assessments from the policyholder and verify contact information. Next, an “Adjuster” met with the policyholder to discuss initial coverage limits and the need for any ALE payments. If approved by the Adjuster, a “Check Writer” documented the electronic file with the payment and issued an ALE check to the policyholder. The entire process was observed to take between 30-45 minutes depending on volume.

Observation and Feedback

Inspector General Mark Kagy visited each CRC to observe and inspect Citizens’ critical response. During the visits he spoke with staff, supervisors, senior leaders, and policyholders.



He found the CRC response exceptional. The highly professional and compassionate staff are properly equipped and fully supported by Citizens’ leadership in a safe and secure environment. Critical equipment is available and up to date with necessary redundancies in place to ensure continuity of operations.

The following observations were noted:

Staff

- Staff interactions with policyholders were exceptionally professional. Despite long workdays in an outdoor environment, staff were always compassionate, hardworking and took time to empathize with policyholders.

- Staffing levels were adequate to provide seamless coverage of all duties.
- Staff expertise was significant, and their training was evident. Each CRC was staffed with adjusters, customer service professionals, and claims practitioners, many of whom were bi-lingual.
- Supervisors were always available ensuring continuous oversight of operations.

Equipment

- Citizens deployed sufficient equipment necessary to accomplish its goals. Noted redundancies were appropriate to provide back-ups should a failure occur.
- Comfort items for staff and policyholders was adequate without being excessive. This included tents for shade, folding tables and folding chairs, misting fans, and water.
- An information technology staff person was assigned to each CRC site to maintain connectivity and internet access utilizing cellular and satellite technologies.
- Security plans were in place. Equipment was capable of being locked and secured each night. Locked cases were available for the most sensitive items such as check stock. Additionally, contracted armed security personnel was provided around the clock.

Following the emergency response, Inspector General Mark Kagy was able to meet with senior leadership to provide feedback and recommendations for consideration.

Inspector General Mark Kagy reported that the **Citizens’ emergency response was well executed and consistently maintained policyholder service at the forefront.** He also noted that all Citizens Executive Leadership Team members took an active role in the emergency response.

Investigative Projects

Types of OIG Projects and Activities

The OIG investigates allegations of fraud, waste, abuse, malfeasance, mismanagement, employee misconduct, and violations of corporate policies. The OIG handles and manages several types of activities including investigations, investigative inquiries, reviews, and referrals.

Correspondences

Most of OIG activities begin as a correspondence. Correspondences are inbound communications by any individual or entity to the OIG that subsequently is entered into and tracked by OIG's Case Management and Tracking System. Correspondences include complaints, referrals, requests for investigation or review, or any other tracked communication. However, not all correspondences result in cases or substantive projects.

Cases

An *Investigation* is conducted when the Inspector General has determined that the highest level of review by the OIG is necessary. Investigations typically consist of multiple interviews of the complainant, witnesses, business unit experts and the subject of the complaint. As well as, detailed analysis of Citizens and non-Citizens documents, communications, data, and business processes and systems. Investigations often stem from complaints involving alleged employee or vendor employee misconduct, which if proved, could result in significant action against the employee or vendor employee. Investigations may result in disciplinary action up to and including terminations or criminal prosecutions.

An *Investigative Inquiry* is a lower level of review conducted by the OIG. An investigative inquiry is conducted when circumstances dictate that an alternative to a full investigation is prudent. The purpose of an investigative inquiry is to provide an appropriate level of review in situations where a full, detailed analysis and conclusion typically associated with an investigation is unwarranted or impractical. Additionally, memoranda of Investigative Inquiries do not contain conclusions of fact such as *Supported* or *Not Supported*.

OIG Project/Activity Types

Cases

Investigation

Investigative Inquiry

Substantive Projects

Process Review

Compliance Review

Administrative Projects

Consultation Services

Opinions

Referrals

Administrative Closure

Substantive Projects

A *Process Review* analyzes a particular Citizens business unit's processes and attempts to determine if the actual or outlined processes are effective and efficient, or in need of improvement.

A *Compliance Review* attempts to determine if a specific Citizens business unit, function, action, or process is compliant with applicable laws, rules, policies, and procedures.

Administrative Projects

Consultation Services are provided to any Citizens individual or business unit upon request. This is an OIG engagement whereby leading practices, appropriate responses, or necessary actions to ongoing corporate issues are discussed and analyzed. Care is taken to ensure that any OIG input is provided in a discretionary, advisory manner so as not to impair OIG independence.

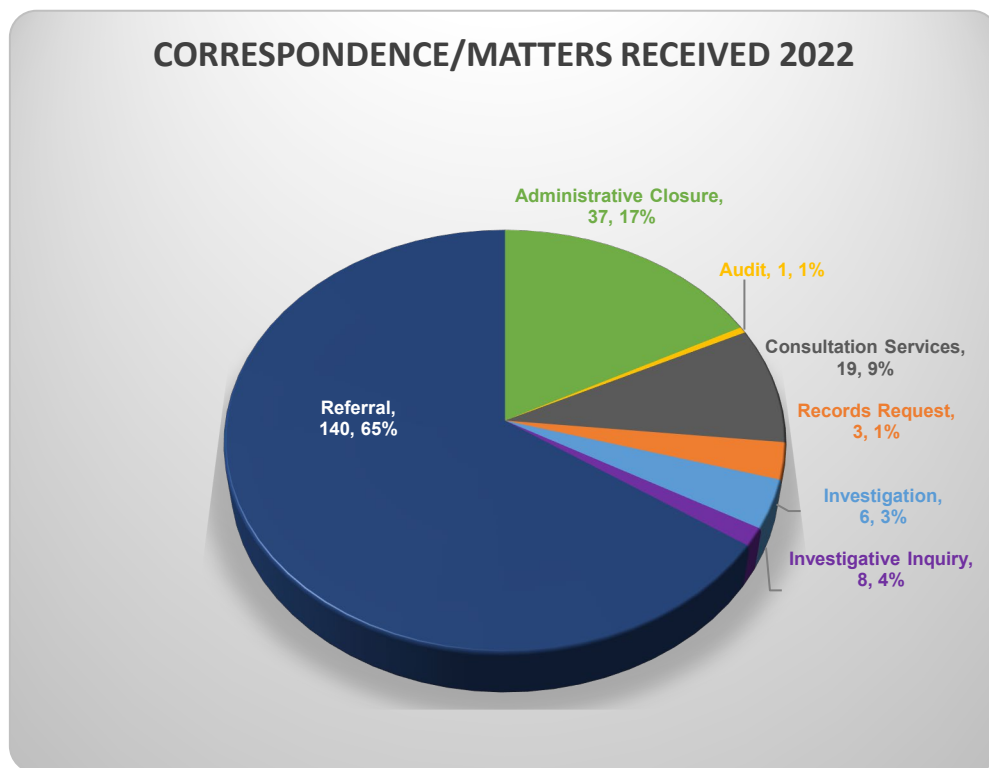
Opinions are proactive determinations provided by the Inspector General to inquiries made by Citizens staff or business partners. Opinions promote assurance that inquiries or concerns have been received and documented by the OIG and appropriate guidance is provided to facilitate compliance. The most common form of opinion is an ethics opinion; rendering of ethics opinions are coordinated and confirmed with Citizens' General Counsel and the Ethics and Compliance Officer.

Referrals can be made to internal Citizens business units or external parties. A referral is a request from the OIG for the recipient to review the matter, address the matter as appropriate, and advise the OIG of the intended response prior to the matter being closed. The most common referrals are job performance or grievance complaints, which are typically referred to HR for handling.

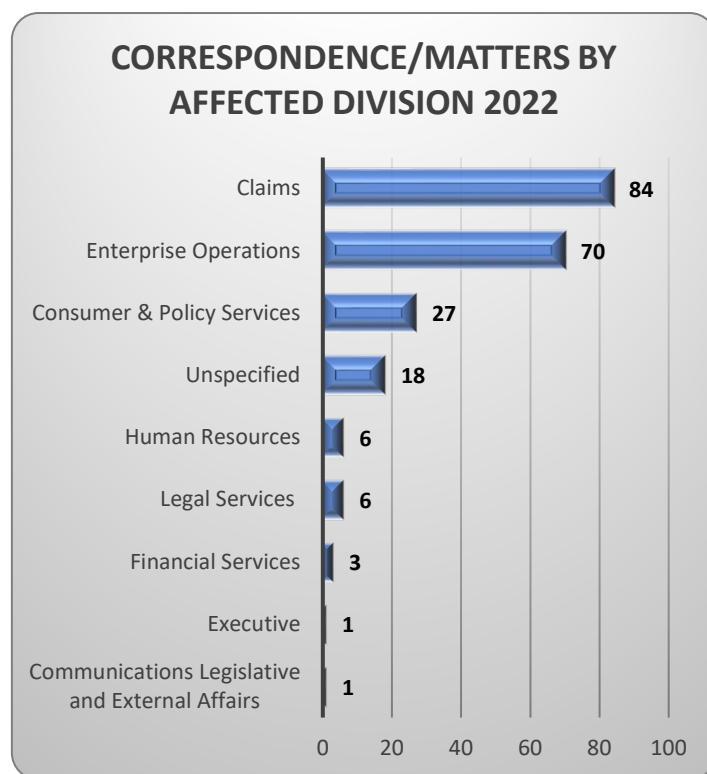
Administrative Closures occur on occasion when no additional investigative activity is warranted for a particular matter or the matter falls outside of the OIG's jurisdiction to handle or refer.

2022 Projects Overview

The OIG received 214 correspondences/matters throughout the year, of which 156 were categorized as complaints. The OIG addressed the 214 correspondences/matters, with the following projects initiated.



The 214 received correspondences involved matters throughout the corporation. In some instances, correspondences can affect multiple divisions. The distribution of correspondence subject matters can be viewed by division within the corporation:



2022 Closed Project Summaries

In 2022, the OIG closed four Investigations, eight Investigative Inquiries, and one Audit.



22-01 Investigation – Records Release

OIG received a complaint alleging a vendor improperly released a Citizens document to the media. The vendor representative denied the allegation and none of the information obtained by OIG indicated a release by the vendor. The OIG determined the document was properly identified as a public record and released by Citizens staff in response to a record request made by a reporter. The allegation was **Not Supported**.



22-02 Investigation – Harassment, Retaliation

An employee alleged she was harassed by her supervisor based on race and gender. The supervisor denied the allegations. Corroborating information was not established to support harassment based on race and gender. However, the employee along with interviewed witnesses reported either receiving or observing acts of discourteous treatment from the supervisor. The allegation of harassment based on race and gender was **Not Supported**. The OIG recommended management address the supervisor's treatment of his subordinates as deemed appropriate.

Additionally, the employee alleged the supervisor retaliated against the employee through the performance rating system. The supervisor maintained his rating was solely based on the employee's work performance. After conducting a review of the evaluation and supporting documentation, management and HR concluded the employee was appropriately rated. The allegation of retaliation was **Not Supported**.

It should be noted the employee voluntarily resigned during the course of this investigation.



22-03 Investigative Inquiry – Policyholder Complaint

A policyholder contacted the OIG with concerns that their policy was initiated without their consent and that Citizens is not repaying excess profits as it relates to 627.06291, Florida Statutes. It was determined that the original application for homeowners' insurance was made by the policyholder's spouse. Since the complainant's name is listed on the home, their name was added to the policy which is Citizens' practice. It was also determined that 627.06291 F.S. does not appear to apply to Citizens. It was found that Section 627.351(6)(c)7., Florida Statutes, requires that Citizens' plan of operation provide for any excess in premium and investment income in any Citizens account to be held in surplus in the account and that "Such surplus must be available to defray deficits in that account as to future years and used for that purpose before assessing assessable insurers and assessable insureds as to any calendar year."



22-04 Investigative Inquiry – Defense Counsel Documentation

Claims Quality Assurance staff identified an inconsistency in a document prepared by a defense counsel firm for Citizens. The electronic filing date on a document the firm provided to a court appeared to have been altered before it was uploaded to Citizens' web-based matter management system. The document was due in court on October 26th; however, it was not filed until October 27th.

The individual allegedly altered the document prior to loading it into the matter management system to make it appear it had been filed on October 23rd. In response to the information provided, the OIG opened an investigative inquiry in collaboration with Citizens' Office of Internal Audit (OIA). The OIA conducted an extensive and detailed review involving 679 related documentation to determine if any pattern of inconsistencies or alterations could be observed. OIA concluded that the timestamp on the document was altered based upon their forensic review and evaluation. However, no other instances of document alteration by this individual were identified and the individual no longer works for the firm or represents Citizens. Citizens staff verified the late filing had no negative impact on the court case or on Citizens.



22-05 Investigative Inquiry – Secondary Employment

A manager reported a concern that an employee possibly working unapproved secondary employment. The manager stated the employee recently removed Citizens as an employer from his LinkedIn page and added another company with the same employment dates as his Citizens' employment date. Additionally, the manager stated the employee had continued performance, availability, and behavioral deficiencies. During the OIG interview, the employee denied having secondary employment; however, he acknowledged owning a consulting firm which he stated is fully operated by a business partner. After the interview, the employee resigned his Citizens position. As a result, further investigative activity by the OIG was unwarranted and the inquiry was closed.



22-06 Investigative Inquiry – Designated Office Location

An anonymous complaint alleged a senior staff member received a benefit not afforded to other employees. The senior staff member was permitted to change her designated Citizens office location from Jacksonville to Tallahassee. OIG determined the senior staff member requested the change after a significant increase in her job responsibilities required her to meet regularly with government officials located in Tallahassee. Additionally, the senior staff member approved requests from at least seven other staff to change their designated office location. The OIG found that no special benefit was received by the senior staff member and that similar requests across the corporation have historically been approved provided there were no negative business impacts to Citizens.



22-07 Investigative Inquiry – Travel Review

An anonymous complaint alleged a senior staff member relocated during the Covid-19 pandemic without extending this option to other employees. The complaint also requested a review of travel reimbursements. OIG determined the senior staff member and eight others were granted permission to relocate. Each staff member signed a travel acknowledgement form stipulating any commute expenses would be covered by the employee. One of the employees, the senior staff member, had work-related travel to locations other than her designated Citizens office and received reimbursement. These reimbursements were in compliance with policy; however, the travel policy was updated to ensure relocations do not result in additional costs for Citizens.



22-08 Investigation – Secondary Employment

The OIG received information from Citizens' Human Resources Department (HR) that a staff adjuster may be engaging in unapproved secondary employment. According to HR, the official appointment for the adjuster's license through the Florida Department of Financial Services was changed from Citizens

to another insurance company. HR stated the adjuster did not have an approved secondary employment request form on file. The adjuster initially claimed she accidentally agreed to be an Independent Adjuster (IA) for the company through taking continuing education courses. In a subsequent interview, the adjuster stated she worked as an IA for the other insurance company prior to her Citizens employment. The other insurance company confirmed the adjuster was a staff employee with the company for dates which overlapped the adjusters' Citizens employment.

The allegation that the adjuster engaged in unapproved secondary employment was **Supported**. Prior to the conclusion of the investigation, the adjuster resigned from Citizens' employment.



22-09 Audit – HB 1079 Procurement

This audit satisfies the requirements of House Bill 1079, passed during the 2020-2021 Legislative Session, which amended Section 287.136, Florida Statutes, to require a periodic risk-based compliance audit of all contracts executed by a state agency to identify any trends in vendor preferences. As statutorily required, the OIG will conduct this audit every three years for contracts executed by Citizens during the preceding three-year period. Citizens conducted 73 competitive solicitations resulting in 139 contracts with a total potential spend of \$1.1 billion over the life of the contracts. Using risk-based criteria, OIG selected for review a sample of eight contracts resulting from two procurements. Additionally, OIG reviewed the 139 contracts awarded for vendor preference trends. OIG found Citizens has implemented internal processes and procedures to ensure compliance with state purchasing laws. No trends in vendor preference by Citizens were identified and no instances of non-compliance were found for the period reviewed.



22-10 Investigative Inquiry – Theft

The OIG received information that two policyholders reported theft of personal property during home inspections conducted by a vendor Field Inspector. The OIG's review found that the vendor terminated the Inspector after he provided conflicting information regarding his actions. Additionally, both policyholders filed police reports regarding the incidents and were reimbursed by the vendor. The OIG provided case report information to law enforcement to ensure collaboration for the criminal cases. No further action by the OIG was warranted and the inquiry was closed.



22-11 Investigative Inquiry – Retaliation

A former Independent Adjuster (IA) stated a Citizens vendor released him from Citizens' Managed Claim Model Business Unit (MCM) in 2020, after he filed a complaint. In his complaint to Citizens' Claims Vendor Management, the IA alleged misconduct by a manager employed by the vendor. Additionally, the IA stated Citizens denied his subsequent attempts to work for other Citizens' MCM vendors in 2021 and 2022. During the OIG review, Citizens claims managers and the vendor provided sufficient documentation to show the IA's release from work was based on a history of performance issues, which also resulted in an ineligible to return to the MCM program status. The IA's allegations regarding the vendor's manager were referred to Claims leadership to address as appropriate. No further action by the OIG was warranted and the investigative inquiry was closed.



22-12 Investigative Inquiry – Employee Misconduct

The OIG received information that a personal heater was removed from a manager's office. The manager questioned whether a Facilities Manager may have removed the heater due to the proximity of events relating to a tripped circuit breaker and electrical outage in the related work area. Several

days of security camera footage was reviewed and badge entry and override entry data for the surrounding period was cross-referenced. However, no one was observed removing the heater or an item large enough to contain a heater and the Facilities Manager was not observed entering or exiting the manager's office during the surrounding time. Although OIG could not locate or identify the date and time the heater was removed, or by whom, the allegation that the Facilities Manager removed the heater was disproved. No further action by the OIG was warranted and the inquiry was closed.



22-13 Investigation – Failure to Follow Directives, Falsification of Records

The OIG received a complaint alleging an employee may have worked from another country without her supervisor's authorization. The complaint also alleged the employee misrepresented activities recorded in case files and travel expense reports. The employee admitted to working from another country without approval, but denied falsifying documents or expense reports. Forensic computer data and documentation obtained during the OIG's investigation confirmed the allegations. Based on the information obtained, the allegation that the employee worked from another country without her supervisor's authorization was **Supported** and the allegation that the employee falsified case file records and expense reports was **Supported**.

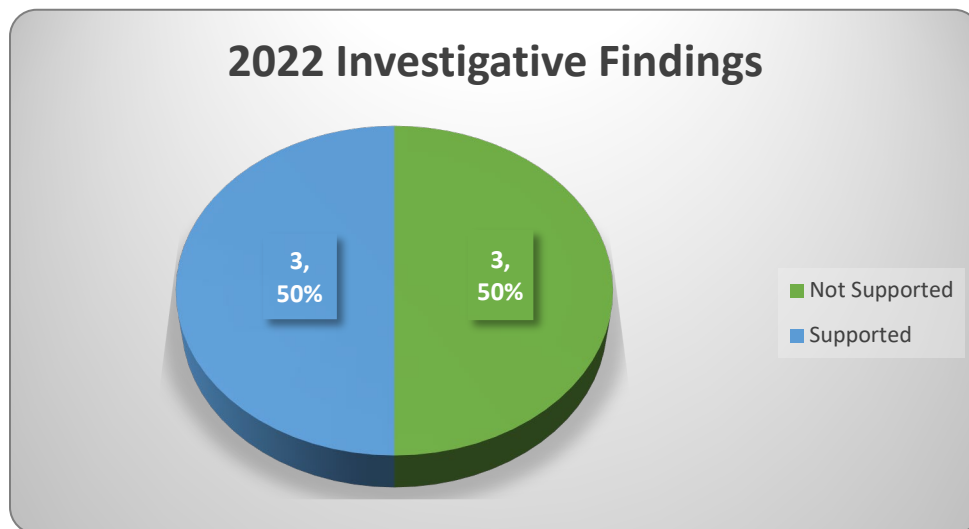
The employee resigned from the company during the OIG investigation.

OIG provided this information to law enforcement for a possible criminal investigation into the theft of \$238.20 in falsified expense reports.



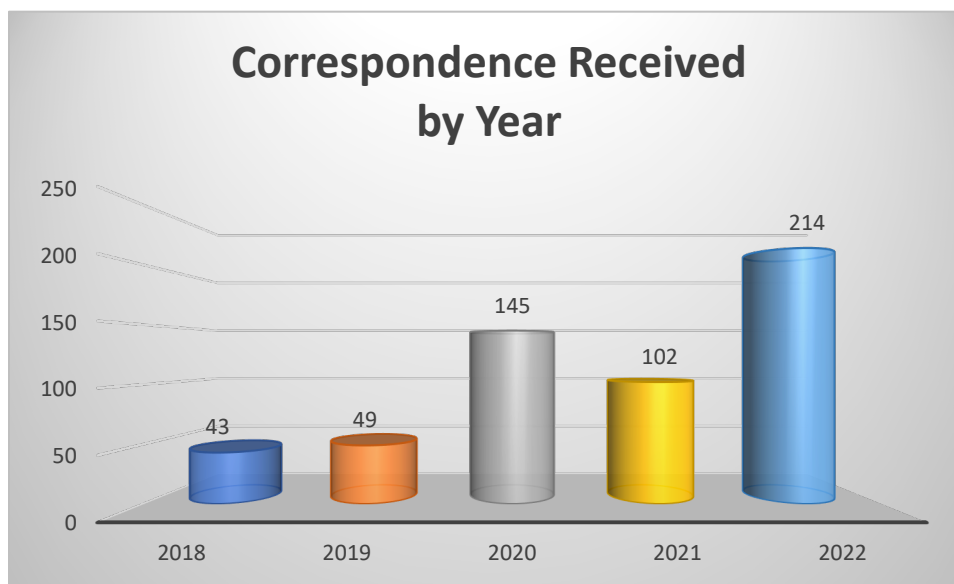
Investigative Findings Summary

The four closed Investigations (exclusive of Investigative Inquiries) contained six individual allegations. Three allegations were **Not Supported** and three allegations were **Supported**.



2018-2022 Trends

Over the past five years the number of correspondences/matters received by the OIG have increased. The increases seen are due to proactive involvement in projects and to the increased awareness of the office created by the 2020 OIG and *Tell Citizens* branding campaign. The results of the branding campaign more than doubled the number of contacts through *Tell Citizens*. The addition of the ability to contact the OIG through the “Contact Us” option on Citizens’ external web site accounted for 1/4 of the correspondences in 2022. With the increased awareness and continued proactive measures taken by the OIG, correspondence numbers are expected to remain around the 2022 intake volume.



Between 2018 and 2022 correspondences/matters were received by the OIG by various means of contact. The chart below shows how the increased awareness and proactive involvement of the OIG increased overall correspondences/matters in the last two years.

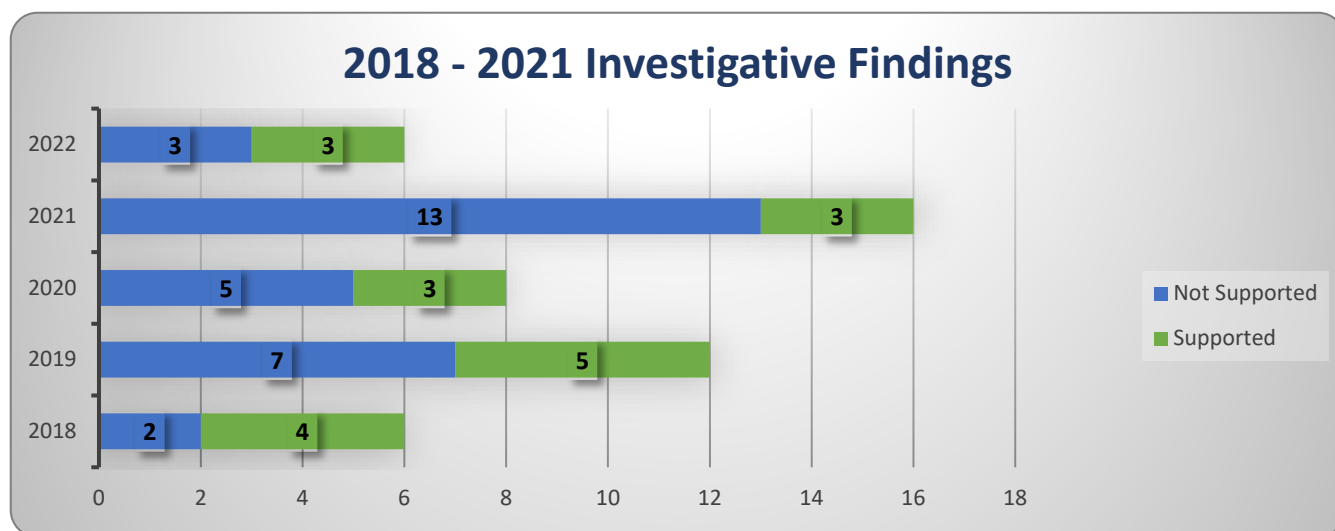
	2018	2019	2020	2021	2022
Contact Us – External Site	0	0	17	34	50
Email	21	19	24	37	37
In Person	6	7	4	1	1
Mail	1	3	2	2	2
Referral	0	1	3	1	4
Other	2	1	63 ³	1	2
Telephone	6	5	9	4	7
<i>Tell Citizens</i>	7	13	23	22	111
Total	43	49	145	102	214

³ The post-hire background screening project led to an increase in the number of correspondences received as Other.

Between 2018 and 2022 the OIG has received correspondences/matters categorized under the following primary issues/allegations:

	2018	2019	2020	2021	2022
Discrimination/ Harassment	7	4	4	3	4
Ethics	5	5	2	3	7
Misconduct	21	18	18	10	27
Mismanagement	1	11	9	4	4
Arrest/Disposition	0	0	59 ⁴	2	1
Other	9	5	47 ⁴	4	15
Records Request	Not previously tracked				4
Customer Inquiry/Complaints	Included in Other			76	145
Vendor Improprieties	0	6	6	0	7
Total	43	49	145 ⁵	102	214

Over the past 5 years, the OIG has investigated 48 allegations (exclusive of Investigative Inquiries). Thirty of the allegations were **Not Supported**, and eighteen allegations were **Supported**.



⁴ The post-hire background screening project led to an increase in the number of correspondences for the “arrest/disposition” category. These 59 correspondences represent interactions with staff and the vendor and do not represent individual arrests or convictions.

⁵ The OIG and *Tell Citizens* Awareness Campaign led to a significant number of correspondences received by OIG which were more appropriately addressed by other Citizens’ business units, therefore they were referred to the appropriate business units for handling.

Report on Impairments to Independence

OIG Budget

The Office of Inspector General is administratively housed within Citizens and its budget is funded through the Corporation's general budget. In addition, the governing statute requires that the OIG remain independent ensuring that no interference or external influence affects the objectivity of the office. Each year the OIG submits a proposed budget to the corporation in accordance with the company's budget process. The proposed budget includes a reasonable estimate of operating expenses. Citizens' Chief Financial Officer and accounting staff provide resources and support throughout the budget process. The final budget for the organization must be approved by Citizens' Board of Governors. While this arrangement could lead to a lack of independence from the corporation, **the OIG is pleased to report that all requests for budget have been approved by Citizens with full funding necessary to achieve the OIG responsibilities.** The OIG remains committed to operating in an independent and fiscally responsible manner.

Independence Impairments

As required by law⁶ and as instituted by best professional practices⁷ for offices of inspectors general, the inspector general, staff, and projects must be protected from any actual or perceived impairments to independence. In all matters, the OIG and each individual staff member should be free both in fact and appearance from personal, external, and organizational impairments to independence. The OIG is committed to reporting any internal or external effort to negatively impact, reduce, or infringe upon OIG independence.

OIG Policy 1.05 requires all OIG staff members to complete an Annual Independence and Objectivity Statement form certifying their independence from any personal, organizational, and/or external impairments. The policy also requires, upon recognition of any impairment or perceived impairment, the staff member immediately notify the Inspector General.

The purpose of this section is to:

- Identify any instances of possible impairments to OIG independence from internal or external sources.
- Report on any events whereby the independence of the OIG was possibly jeopardized.
- List any mitigation efforts by the OIG to resolve any actual or perceived infringement on OIG independence.

The OIG is pleased to report that at no time during the reporting period did the OIG observe any effort which could be perceived to have negatively impacted its independence.

⁶ Section 627.351(6)(gg), Florida Statutes

⁷ Principles and Standards for Offices of Inspector General as published by the Association for Inspectors General; Council of the Inspectors General on Integrity and Efficiency

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