

## Approval of Audit Committee Minutes

**ACTION ITEM**

**New Contract**

**Contract Amendment**

**Other** \_\_\_\_\_

**CONSENT ITEM**

**Contract Amendment**

**Existing Contract Extension**

**Existing Contract Additional Spend**

**Previous Board Approval** \_\_\_\_\_

**Other** \_\_\_\_\_

**Action Items:** Items requiring detailed explanation to the Board. When a requested action item is a day-to-day operational item or unanimously passed through committee it may be moved forward to the board on the Consent Index.

**Move forward as Consent:** This Action item is a day-to-day operational item, unanimously passed through committee or qualifies to be moved forward on the Consent Index.

**Consent Items:** Items not requiring detailed explanation to the Board of Governors. Consent items are contract extensions, amendments or additional spending authorities for items previously approved by the Board.

<b>Item Description</b>	Audit Committee Minutes Meeting September 26, 2023.
<b>Purpose/Scope</b>	Review of the September 26, 2023, Audit Committee Meeting Minutes to provide opportunity for corrections and historical accuracy.
<b>Contract ID</b>	N/A
<b>Committee Recommendation</b>	Staff recommends the review and approval of the September 26, 2023, Audit Committee Meeting Minutes.
<b>CONTACTS</b>	Joe Martins, Chief of Internal Audit.

**CITIZENS PROPERTY INSURANCE CORPORATION**

**MINUTES OF THE  
AUDIT COMMITTEE MEETING  
Tuesday, September 26, 2023**

The Audit Committee of Citizens Property Insurance Corporation (“Citizens”) was convened at 1:00 PM on Tuesday, September 26, 2023.

**The following members of the Audit Committee were present:**

Board Chair Carlos Beruff  
Governor Scott Thomas

**The following Board members were present:**

Nelson Telemaco      Charlie Lydecker  
Josh Becksmith  
Erin Knight  
Jason Butts

**The following Citizens Staff were present:**

Jay Adams	Eric Addison	Christine Ashburn	Carl Rockman
Violet Bloom	Kelly Booten	Tim Cerio	
Bonnie Gilliland	Barry Gilway	Mark Kagy	
Jennifer Montero	Joe Martins	Matthew Carter	
Alden Mullins	Ray Norris	Michael Peltier	
Jeremy Pope	Barbara Walker	Jon Schmidt	
Andrew Woodward	Brian Donovan	Ken Tinkham	

**The following were present:**

Brian Smith, FORVIS  
Kapil Bhatia, Raymond James  
Dave Newell, FAIA  
Jim Perry, Wells Fargo  
Nathaniel Johnson, B of A Securities  
Mark Weinberg, Citi

**Barbara Walker:** Good afternoon, and welcome to citizens September 26, 2023, Audit committee meeting that is publicly noticed in the Florida Administrative Register to convene at 1:00 and will be recorded with transcribed Minutes available on our website. For those attending today's session through the public link, you are automatically in listen-only mode, with presentations appearing in the webinar.

Chair Beruff, we have no speaker requests for today. May I proceed with the official roll call?

**Members called and were present. Quorum received.**

**Chair Beruff:** Thank you. The Chair will entertain a motion to approve the Minutes.

**Action Item approved.**

**Chair Beruff:** Mr. Martins, it is up to you.

**Joe Martins:** Since the July meeting, we have completed six engagements, of which four were audits. I present a graph indicating that we have completed 12 engagements since March and are currently working through 11 engagements. In the column to the right, we list four audits completed:

With the Claims Legal Billing audit, we focused on the processes, methodology, and results of the Claims Legal Billing unit's assessment and processing of submitted legal invoices. We noted three areas requiring review and enhancement, namely, the unit's controls for identifying duplicate payments, monitoring defense counsel timekeepers who are billing more than reasonable accepted hours, and practices associated with invoice processing. Internal Audit collaborated with the business unit to help develop short and long-term suggested actions, which include recovery of duplicate payments, development of monitoring practices, design mechanisms to identify and address timekeeper excesses timely, expansion of automatic script structure with additional controls, and implementation of quality control practices.

For the Emergency Procurement Audit, we evaluated the adequacy of procedures applied. Results from the audit work indicate optimal procurement practices and the efficient management of emergency response procurement activity.

The Third-party Technology Risk audit focused on how Citizens monitor vendor performance, assess vendor dependency resilience, service organization controls, continued vendor suitability reviews, and information security. Results from the audit indicated that adequate processes and controls are in place around third-party technology risk.

The Underwriting Vendor Management audit evaluated the management of outsourced vendor processes. Results from the audit work indicate adequate controls related to data quality, accuracy, processes, and management of the outsourced vendors were in place.

We also have 11 engagements in progress, including four audits. These four audits include:

The Centerpoint Segregation of Duty audit, where we will focus on user access provisioning and identity automation solutions to monitor the segregation of duty conflicts.

The IT Service Management audit will be an operational review to identify the risks and related controls to minimize the impact of performance deviations from the managed service provider. The audit will also review service level agreements and other areas to ensure that the IT services provided by the managed service provider align with the

business objectives and meet customer expectations.

The Purchasing Card and Other Expense Reimbursements audit will be a targeted audit that will focus on monitoring the procedure of PCard transactions.

And the last audit will be the Vendor Invoicing and Payment audit, where we will audit the vendor payment practices to ensure payments are only made to vendors who are completed. That is the audit that the Audit committee requested during the last meeting.

Three additional audits are planned for completion in quarter one of 2024. These include the Compliance Program audit, Investment Portfolio Management audit, and Mobile Computing Remote audit.

The Auditor General commenced their triannual operational audit in September, and that runs for approximately a year.

In the bottom left-hand side of the slide, we show a graph that indicates we are currently tracking 10 open observations relating back to 6 audits. Two of these observations are rated high, and all observations are being managed well through the organization.

The Enterprise Risk team partners with the business areas to deliver forward-looking and insightful risk perspectives that enhance Citizens' decision-making processes and strategic performance. Our Risk profile reflects a comprehensive view of risks and various perspectives, including strategic, operational projects and emerging risks. We follow a dynamic risk governance approach that provides business units throughout the organization with the ability to reassess their risk profile quarterly and add, delete, and revise risks as processes and the environment change.

The Internal Control team is responsible for maintaining and monitoring Citizens' internal framework. As of August, Citizens has identified and recorded 95 primary controls. Every business area performs annual control self-assessments to ensure that Citizens' primary controls are appropriately designed and continue to operate effectively. To date, 17 annual control self-assessments have been completed.

The administrative system used by the Office of Internal Audit, AuditBoard, is also used by the Ethics and Compliance Office, and this system allows for the ability to connect results from work completed by Internal Audit, Enterprise Risk, and Internal Control into a consolidated view. Internal Control is currently collaborating with Ethics and Compliance to connect Citizens' primary controls and control self-assessments to applicable laws, regulations, and corporate policies within AuditBoard to further visualize assurance activities throughout the organization.

That completes my report if there are any questions.

**Chair Beruff:** Any questions?

**Governor Thomas:** No questions.

Ms. Montero, you are next. Hello.

**Jennifer Montero:** Behind tab three of your committee books, you will find the 2023 results of operations and financial position, followed by the document that provides the commentary, which is what I will go through.

At June 30th, 2023, consolidated cash and invested assets totaled 10.2 billion or approximately 1.2 billion more than at December 31, 2022. Driven by net cash inflows from

operations of approximately the same amount.

Consolidated surplus at June 30th was 4.9 billion, reflecting an increase of approximately 600 million in comparison to December 31st, 2022. The increase in surplus was driven by net income from the first half of 2023, roughly the same amount.

Consolidated direct written premium for the first half of the year was 2.7 billion, which is 1.2 billion or 78 percent more premium than was written during the same period in '22. Although the number of new policies written during the first half of '23 decreased to 339,000 in comparison to the 347,000 new policies written during the first half of 2022, the overall renewal rate of 85 percent reflects an increase of six percentage points relative to the renewal rate through the first half of 2022.

Premium ceded to private reinsurance and for coverage through the Cat Fund for the 2023 storm season was 1.126 billion, which is approximately 586 million more than in 2022, driven by a significant increase in reinsured exposure, as well as increases in underlying pricing.

At June 30th, 2023, no adjustments were made to ultimate losses or LAE for CAT events. Gross and net ultimate losses in LAE associated with CAT events were as follows. Hurricane Ian is 3.6 billion gross and 2.6 net. Hurricane Irma is 2.6 billion gross and 1.4 billion net. Tropical Storm Sally and Ada are 305 million with no reinsurance recoveries. Hurricane Michael is 148 million with no reinsurance recoveries, and Hurricane Nicole is 96 million gross and 82 million net.

The 2023 non-catastrophe loss in the LAE ratio for the PLA and coastal accounts is comparatively unchanged relative to 2022. The dominant driver behind the improvement in loss in LAE over the past several years has been the improvement in litigation rates, which continues to be the single most important factor in non-catastrophe loss in LAE and which have remained stable for non-catastrophe losses in 2022 and into 2023.

The underlying commercial lines account loss in the LAE ratio is inherently volatile due to the low premium volume and the large potential impact of a few claims. Administrative expenses incurred during the first half of 2023 were 85 million or 13 million more than during the first half of 2022 and 12 million less than budgeted. Citizens' expense ratio for the period ending June 30th was 13.8 percent, marking a .9 percent decrease from the same period a year prior and .2 percent less than budgeted.

Total investment income was 127 million, which was approximately 33 million or 35 percent more than the same period a year prior. While the average invested assets decreased by 73 million. The increase in overall earned income was driven by the overall increases in interest rates, specifically yields in money market funds and reinvestments of maturing or sold maturities.

At June 30th, the total unrealized losses were 796 million or 67 million more than at March 31st. Reflecting continuing volatility in overall interest rates, and as a note, at August 31st, '23, total unrealized losses grew to 809 million or 13 million more than June 30th. And I am happy to answer any questions, but that concludes my report.

**Chair Beruff:** Questions? Thank you, Ms. Montero.

**Jennifer Montero:** Thank you.

**Chair Beruff:** That concludes the meeting.

Whereupon the meeting was concluded.