

leveraging teamwork
to create a better path forward



Agenda

- Engagement Scope
- DHG Audit Approach
- Significant Risk Areas
- Engagement Team

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Engagement Scope

Citizens Property Insurance Corporation

- Audit the financial statements of Citizens Property Insurance Corporation (GASB)
- Audit the statutory-basis financial statements of Citizens Property Insurance Corporation (STAT)

Florida Market Assistance Plan

- Audit the financial statements of Florida Market Assistance Plan (GAAP)

Expected Deliverables Upon Completion of Audit

- Independent Auditors reports
 - Citizens Property Insurance Corporation (GASB)
 - Citizens Property Insurance Corporation (STAT)
 - Florida Market Assistance Plan (GAAP)
- Communication To Those Charged with Governance (SAS 114)
- Acknowledgement Letter (FLOIR)
- Letter of Qualifications (FLOIR)
- Ad hoc reporting as requested by Audit Committee

Audit Engagement Timing

Planning – November 2016

Interim Fieldwork – (2 Weeks)

- 12/5/16 – Tallahassee (Controls, Reinsurance, Premiums, Claims)
- 12/12/16 – Local & Tallahassee (Accounting Policy & Wrap-up)

Final Fieldwork – (4 Weeks)

- Onsite 4/3/17 to 4/28/17

Reporting - (2 Weeks)

- Onsite As Needed 5/1/17 to 5/15/17

Estimated Completion Date – May 15, 2017

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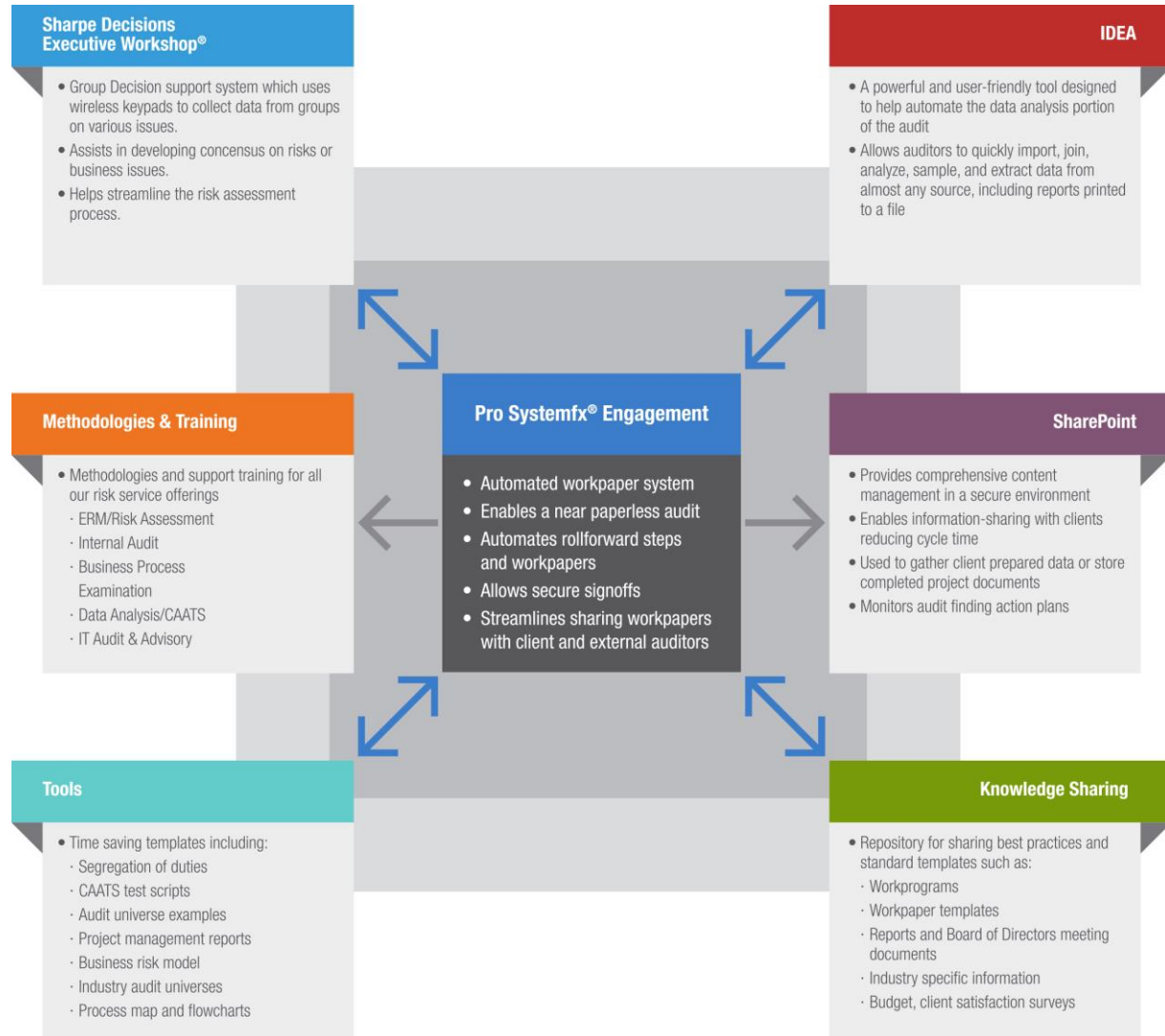
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DHG Audit Approach

Audit Approach

Key Steps

- Risk Assessment Process
- Understanding of Controls
- Audit Areas of Focus
 - IBNR
 - Premiums
 - Investment Valuation
 - Reinsurance
 - Management Override
- Significant Transactions
- Audit Technology
- Fraud Risk Assessment
- Communication with Management and Board of Directors



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Significant Risk Areas

Significant Risk Area

Area of Focus	Objective	Response
IBNR	Reserves may not be valued properly due to actuary assumptions and methods, thus causing a significant fluctuation in earnings and sustainability.	<ul style="list-style-type: none"> • Perform 3rd Party Actuary Examination of Actuary Reports as of <u>September 30</u> and <u>December 31</u>. • Audit Completeness and Accuracy of Case Reserves and Paid Loss detail. • Examine attributes of Key Data Elements of Reserves. • Perform Loss Look-back Analysis. • Evaluate IBNR Range.
Premium	Improper recognition of revenues is a significant inherent risk creating a directional risk that premium revenue is not properly cut-off or inappropriately valued causing potential overstatement of revenues.	<ul style="list-style-type: none"> • Examine premium recognition policies. • Audit premiums on a test of details. • Examine declaration page, endorsements and cancellations. • Recalculate earnings process. • Examine take-out policies on test basis.

Significant Risk Area

Area of Focus	Objective	Response
Investments	Potential risk for significant decline in the fair value of investments	<ul style="list-style-type: none">• Test Valuation via third party vendor pricing through the use of DHG pricing specialist.• Examine the assumptions and rationale of management's OTTI assessment.• Examine appropriate classification of security classifications in accordance with the NAIC SVO.• Confirm all investment balances held by the company with the third party custodian• Test purchase and sale of securities throughout the year.
Reinsurance	Potential risk for inappropriate existence, valuation, and cutoff of reinsurance activity. Further risk of in appropriate evaluation of appropriate risk transfer under reinsurance contracts.	<ul style="list-style-type: none">• Ensure that reinsurance treaties properly transfer risk.• Examine reinsurance contracts for appropriate recognition of ceded premium.• Assess the collectability of amounts due from reinsurers through confirmations.• Assess the admissibility of those assets for statutory accounting.

Significant Risk Area

Area of Focus	Objective	Response
Management Override	Management override of controls is an inherent risk. All account balances are applicable to this risk.	<ul style="list-style-type: none">• Obtain an understanding of the Company's financial reporting process and the internal control with respect to the journal entry process.• Audit Journal Entries.• Inquire of management about the risk of fraud and non-compliance.• Audit significant management estimates through challenge of assumptions and retrospective look-back analysis.

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Engagement Team

Engagement Team Contacts



Matt Church CPA

Lead Audit Partner

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Matt Church serves as the Office Managing Partner in the Firm's Charlotte Uptown office and he has worked exclusively within DHG Insurance since 2000. Matt provides traditional attest services to clients operating in the property & casualty, life and health and warranty markets. In addition to core attest services, Matt spends a significant amount of time providing advisory services to his clients. These services include Sarbanes-Oxley 404 and model audit rule implementation and compliance, Enterprise Risk Management and ORSA consulting, internal audit and other traditional advisory services. Matt also oversees the Regulatory Services arm of DHG Insurance.



Kevin Ryals CPA

Engagement Quality Review Partner

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Kevin Ryals is a Partner in the DHG Insurance Services Group where he possesses more than 16 years of public accounting experience, concentrating in the insurance industry. Prior to joining DHG, Kevin worked for two Big Four accounting firms for nine years where he served both public and private insurance companies. He has served various sized clients, including both public and private entities, life and annuity, property and casualty, self-insured and warranty providers. Kevin has a unique skill set to provide in-depth knowledge of the insurance industry.

Engagement Team Contacts



Brian Smith CPA

Audit Senior Manager

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With over 10 years of experience serving the financial services industry in audit and risk advisory roles, Brian provides clients with a focus on the insurance sector including property and casualty, life and captive insurers. Brian works with multiple insurers and reinsurers delivering technical support and M&A services. Experienced in reinsurance accounting, offshore structures, debt issuance transactions, derivative accounting, alternative investments and variable interest analysis, his technical knowledge is sought during times of change and transition. He has written technical research papers and documented transactions for multiple financial institutions.



Wesley McLeod CPA, CISA

Audit Senior Manager

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Wesley is a Senior Manager in the firm's Insurance Services Group, with extensive experience in managing multiple insurance engagements including IT risk analysis and IT general control assessments; financial statements audits of various life and property and casualty insurers, which includes the preparation of NAIC annual statements and the preparation of the annual audited statutory and GAAP financial statements. Wesley has also provided compliance related services including Sarbanes-Oxley testing for SEC clients; SSAE 16 (formerly SAS 70) type II testing for service provider insurance companies and assisting insurance companies with the identification and recommendation of internal controls in an effort to mitigate the companies' risks. Wesley's experience using software products includes ACL, The Complete Package, TeamMate, PeopleSoft and a variety of other software packages associated with the insurance industry.

Use of Specialist / Management

- Information Technology
 - Wesley McLeod, Senior Manager – Dixon Hughes Goodman
- Investments Valuation
 - Dixon Hughes Goodman Business Valuation Group
- Actuary
 - Merlinos & Associates – Dave Shepherd
- Internal Audit
 - Joe Martins and John Fox - Citizens