

# Office of the Internal Auditor

# Engagement Report

February 2026

Commissions



This report is a redacted version of a Restricted Confidential audit report. Certain information has been removed or summarized to comply with confidentiality and exemption requirements under Florida Statutes s.627.352.

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2026-IA-08 Commissions

# AUDIT REPORT



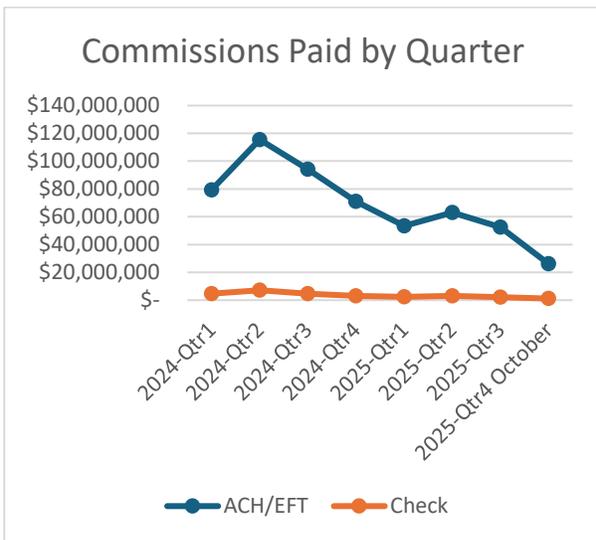
## Executive Summary

### Background

Citizens engages with a network of appointed insurance agents licensed in the State of Florida to sell property and casualty insurance products. For policies bound or issued, agents earn commissions in accordance with the commission rates approved by the Board of Governors. During 2025, agent commission expenses, reported within other underwriting expenses, totaled approximately \$200 million and were paid to approximately 5,000 agencies.

The commission process requires coordination between the Agency Management and Financial Services departments. Key responsibilities include establishing commission plan structures, administering agency relationships and their books of business, authorizing and processing commission payments, and disbursing funds. Commissions are calculated as a percentage of direct written premiums, net of applicable surcharges and assessments, and are paid directly to agencies. The calculation and payment processes are largely automated and system-driven, with predefined rules and controls that require limited manual intervention.

While commission expenses are subject to analytical review through financial reporting, they represent a significant cost to the organization. Inadequate controls over commission calculations and payments may result in financial loss or inefficient use of company resources. Given the organization’s reliance on automated processing, it is critical to assess the design and effectiveness of system and operational controls governing commission activities. Strong controls help promote fiscal responsibility and safeguard Citizens' assets from errors, misuse, or fraud. The graph below shows a downward trend in expenses, with a \$175 million decrease from 2024 to 2025, driven by a reduction in Citizens' active policies.



### Objectives and Scope

Internal Audit evaluated whether system and operational controls are designed and operating effectively to ensure commissions are calculated accurately, processed in accordance with approved commission plans, and disbursed responsibly.

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## Executive Summary

The scope of this audit includes a review of controls and processes related to agency commission activities, including:

- Commission plan setup, maintenance, and system configuration.
- System-generated commission calculations and supporting business rules.
- Commission payment processing and disbursement activities.
- Commission adjustments, corrections, and override processes.
- User access, role-based permissions, and segregation of duties across key systems.
- Security and integrity of commission and payment-related information.

### Results

Overall, Citizens' Agency Management and Financial Services Departments have effective governance and management of agency commission activities. In addition, the commission structure, system calculations, and payment practices have effective controls and internal procedures in place to ensure commissions are processed in a timely and accurate manner. The following positive practices observed include:

- System automations are configured appropriately, and commission calculations are performed accurately. Utilizing data analytics, Internal Audit recalculated 100% of the commission payments for October 2025, totaling 89,692, without exception.
- Restricted access controls to check storage and printing offices are appropriate and properly secured.
- Commission adjustments and disbursement activities are processed securely, accurately, efficiently, and in a timely manner.

While the Finance department has well-established and effective processes in place for commission disbursements, an opportunity to further enhance security and access controls was identified and discussed with Management. In collaboration with the IT Infrastructure department, Management was proactive and remediated the observation by implementing appropriate access restrictions.

In addition, a few minor opportunities for improvement were provided to further enhance the user access environment and have been discussed with Management.

### Conclusion

The engagement demonstrates effective commission calculations and disbursement processes, timely and accurately disbursed payments, and appropriate management oversight. Internal Audit identified areas to strengthen the financial control environment by implementing controls to enhance security and access to the commission processes.

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

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## Distribution

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The External Auditor

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