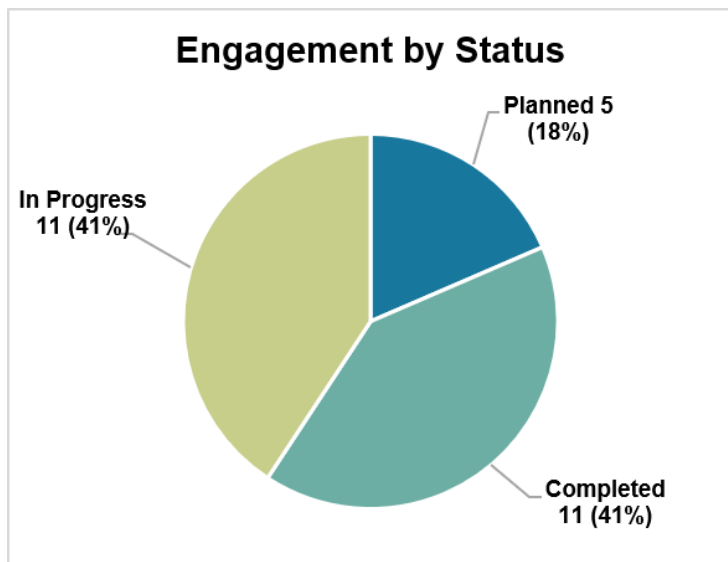


# Executive Summary

Board & Committee Meetings, June 23, 2026

This executive summary provides the Audit Committee with a risk-focused update on the Office of Internal Audit's activities across Internal Audit, Enterprise Risk, and Internal Control. The report highlights audit plan progress, completed and active engagements, significant observations, remediation status, and key program metrics.

## Internal Audit Overview



**Audit Plan Status:** As of Q2, Internal Audit has completed 11 of 27 approved audit plan engagements for the 2026 reporting period. Eleven engagements are in progress, and five are scheduled.

- 11 Completed
- 11 In Progress
- 5 Scheduled

## Completed Engagements

- **CAT Prep Assurance:** Internal Audit's review of the 2026 CAT Prep Assurance meetings, dashboard, and related management discussions indicates that readiness is generally on track, with no immediate showstoppers. Overall readiness is about 88%, and most assurance items are rated green. Areas that still require monitoring include IA onboarding, completion of the remaining June readiness exercises, formalization of claims capacity commitments, final communications readiness, and completion of the June 24, 2026, system release and follow-up testing. Challenges identified during FNOL BPO and IA vendor onboarding testing have been documented, and remediation actions are either underway or complete. Internal Audit will continue to monitor these items and report any material readiness concerns to the Audit Committee.
- **Ethics:** The assessment found a generally established ethics program, supported by policies, governance documents, an Ethics Officer, annual conflict-of-interest attestations, and investigative responsibility assigned to the Office of the Inspector General. Opportunities were identified to better align governing documents and policy references, continue development of a formal ethics framework, strengthen training and attestation enforcement, and formalize the Ethics Officer's access to executive leadership and the Audit Committee.
- **Identity Governance and Access Management:** The audit evaluated governance and control design over user access to systems and data. Opportunities were identified to strengthen enforcement, communication, and monitoring of identity governance requirements. Management has been briefed, and remediation actions are being tracked.

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- **Premium Invoicing, Refunds, and Suspense Accounts:** The audit evaluated controls over premium payments, refunds, suspense activity, reconciliations, automated processes, data integrity, fraud prevention, and exception handling. One opportunity was identified to improve tracking of refund mail dates, supporting stronger documentation and follow-up.
- **Secondary Employment:** The review found opportunities to better align workflows, system functionality, and Code of Ethics requirements. While 117 employees had approved secondary employment agreements on file, 45 employees were identified in public business records without corresponding disclosures, including 7 instances that may present potential conflicts of interest. Recommended actions include aligning policies and workflows, strengthening controls, reinforcing training, and enhancing oversight. The matter has been shared with the Office of the Inspector General for consideration.

## In-progress Engagements

- **Claims Vendor Management:** Review of third-party claims vendor oversight, including service-level expectations, performance monitoring, security controls, and billing practices.
- **Cloud Security:** Assessment of key controls over cloud environments, including identity and access, encryption, logging and monitoring, incident response, vulnerability management, and shared-responsibility governance.
- **Configuration and Hardening Management:** Review of secure configuration standards, baseline implementation, exception handling, change control, and compliance monitoring across critical technology assets.
- **Continuous Assurance - Commercial Lines Underwriting:** Recurring data-driven review of underwriting activity to identify unusual trends, potential control concerns, and transactions warranting further review.
- **Alternative Dispute Resolution:** Assessment of governance, policies, oversight, and claim dispute resolution practices.
- **Document Storage Analysis:** Inventory and review of critical business document storage locations to support alignment with approved or preferred platforms, including OneDrive where appropriate.
- **IT General Controls:** Evaluation of core technology controls, including access management, change management, user administration, data management, and incident handling.
- **Personal Lines Underwriting:** Data analytics-based review of underwriting quality, compliance, profitability, fraud indicators, and operational efficiency.
- **Technology Governance - Remediation Follow-up:** Follow-up assessment of management's remediation efforts related to opportunities identified in the 2025 Technology Governance engagement.
- **Regulatory Support - OIR Exam and AG Audit:** OIA continues to coordinate information requests, meetings, delivery tracking, and related support for the 2026 OIR Market

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Conduct Exam and AG Audit. The AG Audit is expected to begin July 1, 2026 and conclude by January 31, 2027.

## Planned Engagements

- **CyberArk Privileged Access:** Review of privileged access controls managed through CyberArk, including provisioning, authentication, password vaulting, monitoring, emergency access, and deprovisioning.
- **Local Administrative Users:** Assessment of controls over local administrative access on endpoints and servers, including approval, monitoring, exception handling, and removal processes.
- **Patching and Vulnerability Management:** Review of patch management and vulnerability assessment processes, including identification, prioritization, remediation, scanning, and reporting practices.
- **Predictive Model Governance:** Assessment of governance, development controls, validation, documentation, regulatory alignment, and operational oversight for actuarial predictive models.
- **Rate Implementation:** Evaluation of controls over approved rate implementation in Guidewire and quality assurance testing supporting rate accuracy.

## Internal Audit Performance Metrics

OIA tracks key performance indicators to monitor execution of the audit plan, remediation activity, productivity, budgeted hours, and engagement cycle time:

- **Audit Plan Completion Rate:** Q2 planned deliverables were completed as scheduled.
- **Issue Closure Rate:** Open observations are currently expected to be addressed within agreed management action plan dates, except for overdue items noted above.
- **Auditor Productivity:** Productivity was 77% against an 80% annual target. Q2 organizational changes contributed to delayed audit work.
- **Ops Audit Budget to Actual Hours:** Internal audit used 870 of 960 budgeted Q2 engagement hours, resulting in a 90-hour positive variance.
- **Engagement Cycle Time:** Average Q2 engagement cycle time was 90 days, or 13 weeks, down from 110 days, or 14 weeks, in Q1 2026.

## Audit Observations

During the reporting period, internal audit identified control improvement opportunities across several areas. No high-impact observations were issued during this period. Open observations continue to be monitored through the remediation process, with a focus on overdue items and timely management action.

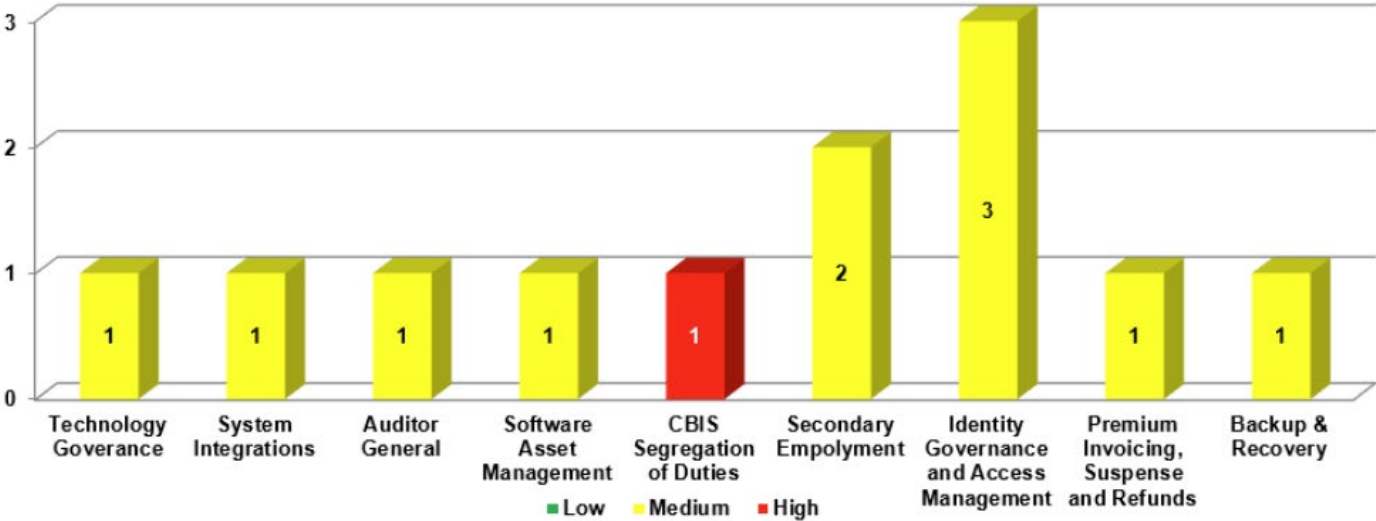
- **Overdue Issues:**
  - **AG IT Audit:** Prior access management findings remain open beyond the agreed remediation date of 12/31/2025.

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## Board & Committee Meetings, June 23, 2026

- **IT Security Technology Governance:** One observation related to NIST framework alignment remains open beyond the agreed remediation date of 3/31/2026.
- **Key issues identified:**
  - **Identity Governance and Access Management:** Observations were identified related to enforcement, communication, and monitoring.
  - **Premium Invoicing, Suspense, and Refunds:** One observation was identified related to tracking premium refund mail dates.

Open Observations by Engagement



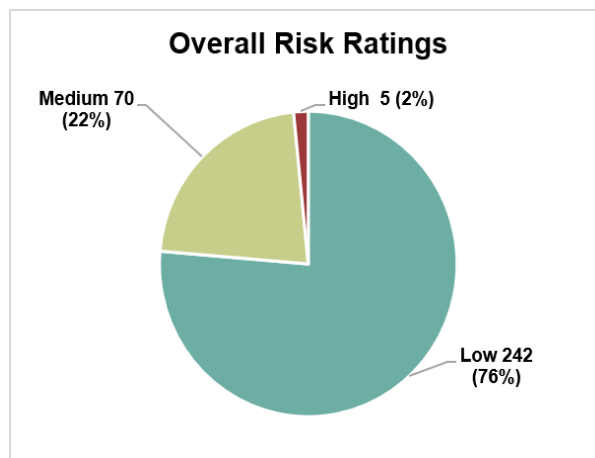
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## Enterprise Risk

As of Q2, enterprise risk exposure remains within established tolerance levels. Assessment coverage continues to expand, and forward-looking monitoring capabilities continue to mature.

- **Risk Assessment Coverage:** Operational risk assessments are 35% complete, with expanded self-service capabilities supporting broader and more efficient coverage.
- **Risk Profile:** The overall risk profile remains stable, with no matters requiring escalation.
- **Emerging Risk Monitoring:** Risk sensing discussions with senior leaders and formal risk assessments continue to support timely identification and management of emerging risks.
- **Capability Development:** Key risk indicators are under development to enhance data-driven monitoring and early risk detection.



## Internal Control

During Q2, the control environment remained effective, with continued progress in control self-assessments and regulatory integration.

- **Regulatory Alignment:** Evidence for 82 higher-risk laws, rules, and regulations has been incorporated into control self-assessments.
- **Control Effectiveness:** Oversight activities indicate key controls are operating effectively, with no significant control deficiencies identified.
- **Program Maturity:** Continuous monitoring enhancements, developed with business areas and OIA data analytics, are expected to improve coverage, efficiency, and timely risk identification.