Executive Summary

Board & Committee Meetings, September 23, 2026

Purpose and Overall Assessment

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, together with a forward look at Q4 2026 / Q1 2027 assurance priorities. It highlights audit plan progress, completed and active engagements, significant observations, remediation status, and key program metrics.

Overall assessment: Based on OIA work completed through Q3 2026, Internal Audit has completed 8 of 22 approved audit plan engagements. Enterprise Risk and Internal Control did not identify separate matters requiring Committee escalation this quarter. Committee attention remains focused on one high-risk observation, three overdue observations, and the increase in Q3 engagement cycle time.

Quarter at a Glance

Function	Status	Key Message	Headline Metrics
Internal Audit	**Plan On Track**	Audit-plan delivery remains on track; three overdue observations require continued remediation oversight, including one high-risk item.	8 of 22 engagements complete; 13 open observations; Q3 productivity 83% vs. 80% target
Enterprise Risk	**On Track**	No separate enterprise risk matter was identified for Committee escalation this quarter; the strategic risk profile was refreshed with the Executive Leadership Team.	82% of annual operational risk assessments complete; KRIs in development
Internal Control	**On Track**	No separate control-program matter was identified for Committee escalation this quarter; annual management self-assessments are advancing.	120 controls in the annual CSA population; year-end completion remains on track

Matters for Committee Attention

Priority	Matter	Status / Ask of the Committee
High / Overdue	Technology access controls: one high-risk observation remains overdue.	Management remediation is in progress; OIA validation is required before closure. Revised target: 9/30/2026.
Overdue	Technology monitoring and governance: two medium-risk observations remain overdue.	Progress and revised dates remain under active OIA monitoring.
New - Q3	Personal Lines Underwriting: three observations address proof of flood coverage, primary residence for tenant properties, and opening protection for high-value residences.	Note for awareness; management action plans are in place.

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Internal Audit

Audit Plan Status

For the 12-month reporting period from Q2 2026 to Q1 2027, Internal Audit has completed 8 engagements from the approved audit plan (3 completed in Q3 2026). Nine engagements are in progress and five are scheduled, positioning 14 engagements for completion across Q4 2026 and Q1 2027.

Completed Engagements - Results

- **Alternative Dispute Resolution:** Internal Audit assessed governance, policies, oversight, and claim dispute resolution practices supporting the ADR process. No reportable observations were identified; ADR processes operated effectively, with appropriate governance, consistent dispute handling, and effective management oversight.
- **Personal Lines Underwriting:** Internal Audit applied data analytics to the full population of in-scope policies across seven underwriting areas. The underwriting environment was generally effective. Opportunities were identified to strengthen controls supporting consistent eligibility determinations and underwriting accuracy related to flood coverage, primary residence ratings, and open protection for high-value dwellings.
- **Continuous Assurance - Commercial Lines Underwriting:** Recurring data-driven review of underwriting activity to identify unusual trends, potential control concerns, and transactions warranting further review. Anomalies were identified and discussed with management.

Open Observations by Engagement

12 observations remain open: 11 medium and one high. Three observations are overdue and remain under active OIA monitoring.

Engagement	Medium	High	Total Open
Technology governance and monitoring	3	0	3
Access and identity management	3	1	4
Business conduct	2	0	2
Personal Lines Underwriting	3	0	3
Total	**11**	**1**	**12**

The table above groups open observations into reporting themes. The one high-risk technology access-control observation remains overdue; management remediation is in progress, and OIA validation is required before closure. Three new medium-risk Personal Lines Underwriting observations were identified in Q3 2026.

In-Progress Engagements (9)

Artificial Intelligence Review Group (advisory - assessing whether the AI Review Group provides effective, risk-based oversight of AI use cases, including review, approval, ongoing monitoring, and clarity of responsibilities against existing technology governance); Claims Vendor Management; Continuous Assurance - Personal Lines Underwriting; Document Storage Analysis; Data Mart Validation – PIF: Enterprise Architecture; IT General Controls; Predictive Model Governance; and Regulatory Support - OIR Exam and AG Audit (the AG Audit is expected to conclude by January 31, 2027).

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Planned Engagements (5)

Privileged access and identity-management controls; rate implementation and vendor-platform implementation; and continuous monitoring across selected access, policyholder-rights, and vendor-payment controls.

Performance Metrics

Metric	Q3 2026	Commentary
Portfolio status	8 complete | 9 in progress | 5 planned	Eight of 22 engagements are complete; 14 remain in progress or planned.
Q3 engagement completion	75%	One engagement scheduled for completion Q3 was slightly delayed due to the complexity of the work under review and management discussion and collaboration.
Issue closure rate	12 total; 3 overdue; 1 high risk	Open observations expected to close within agreed management action plan dates, except overdue items noted above. Aging and severity matter more than the aggregate count.
Auditor productivity	83% vs. 80% target	Productivity exceeded the rolling-year target.
Budget to actual hours	1,116 vs 1,100 budget	A 16-hour, 1.5% overage; monitor with cycle time and remaining plan capacity.
Engagement cycle time	145 days, or 20 weeks	Average Q3 traditional engagement cycle time (20 weeks), up from 90 days in Q2 2026 - driven by engagement mix. Cycle time warrants active management despite strong productivity.

Enterprise Risk and Internal Control

Enterprise Risk expanded assessment and project-risk coverage, while Internal Control advanced annual self-assessments and GRC integration. Neither function identified a material matter requiring escalation.

Enterprise Risk

- **Strategic risk profile:** The profile was refreshed with the Executive Leadership Team to reflect current conditions and strengthen alignment with corporate strategies. 7 Strategic risks were documented; these risks are most relevant to Citizens' strategic imperatives. Related mitigation plans are being reviewed and updated.
- **Operational risk assessments:** 82% complete, expanding enterprise-wide risk visibility and reinforcing management ownership.
- **Project risk integration:** The process was expanded with Project Portfolio Management to begin at the concept proposal stage, incorporate project risks into the GRC platform, and enhance lifecycle monitoring through recurring discussions.
- **Forward monitoring:** KRI development and ongoing risk-sensing discussions continue with senior leaders, business areas, and subject-matter experts.
- **Status:** No separate enterprise risk matter was identified for Committee escalation this quarter.

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Internal Control

Internal Control advanced annual control self-assessment activities and collaborated with business areas to promote effective controls and management accountability.

- **Management control self-assessment:** The current annual assessment population includes 120 controls and remains on track for completion by year-end.
- **Integrated control alignment:** Internal Control is expanding connections across regulatory requirements, risks, controls, and evidence within the GRC platform with Enterprise Risk, Compliance, Privacy, and Information Security.
- **Status:** No separate control-program matter was identified for Committee escalation this quarter.

Forward Look - Q4 2026 / Q1 2027 Assurance Priorities

Nine engagements are in progress and five are planned.

Engagements in progress

- **Governance and technology:** Artificial Intelligence Review Group; Document Storage Analysis; Enterprise Architecture; IT General Controls.
- **Business and analytical assurance:** Claims Vendor Management; Continuous Assurance - Personal Lines Underwriting; Predictive Model Governance.
- **Regulator support:** OIR Market Conduct Exam and Auditor General Audit coordination, with the Auditor General work expected to conclude by January 31, 2027.

Planned engagement themes

- Privileged and identity management.
- Rate and vendor-platform implementation.
- Claims Management practices.
- Continuous monitoring of selected operational and financial controls.

Assurance Aligned to Strategy

OIA's coordinated model preserves Internal Audit independence while Enterprise Risk and Internal Control support management's risk and control responsibilities. Together, the three functions inform coverage of the risks most relevant to Citizens' strategic imperatives: Depopulation and Private-Market Access, Customer Experience, and Assessment Risk Reduction.