Office of the Internal Auditor

Engagement Report

August 2026

Alternative Dispute Resolution

2026-IA-09

CITIZENS
PROPERTY INSURANCE CORPORATION

Table of Contents: Page

Executive Summary	
Background	1
Objectives and Scope	1-2
Results	2
Conclusion	2
Appendix	3
Distribution	4

Executive Summary

Background

Citizens' Alternative Dispute Resolution (ADR) processes are managed by the Non-Litigated Disputes team, a department within the Insurance Operations Division, with coordination from Claims Litigation, Legal, and other support functions. These processes provide mechanisms for policyholders and Citizens to resolve claim disputes outside of traditional litigation. Claim disputes generally arise from disagreements regarding coverage determinations, late-reported first notice of losses, the scope or amount of loss, supplemental or unpaid portions of claimed losses, or other aspects of claim handling. Because each resolution type has distinct eligibility criteria, decision points, documentation requirements, and time expectations, the process depends on effective triage, clear accountability, complete claim information, and management monitoring.

Citizens uses several dispute resolution methods, including supplemental estimate reconciliation, reinspection requests, Florida Department of Financial Services (DFS) complaint responses, check reissue requests, review of newly submitted documentation on closed claims, and callback escalations for claims previously handled by adjusters who are no longer with Citizens. This is in addition to Citizens' more formal dispute resolution processes, including mediation, appraisal, and proceedings before the Division of Administrative Hearings. While these processes are sometimes collectively referred to as ADR, they serve different purposes and are used in different circumstances.

Mediation is the statutorily mandated process through DFS, a facilitated negotiation in which a neutral third-party mediator assists Citizens and the policyholder in reaching a negotiated resolution. Appraisal is a policy-based process used to resolve disputes over the amount of loss when coverage has been acknowledged. The statutory Notice of Intent to Initiate Litigation (NOI) process creates pre-suit requirements and response options before certain property insurance litigation may be filed. Management must maintain this process to identify and assess material legal and regulatory developments affecting claims operations.

The ADR process is a significant component of Citizens' claims operations. During the twelve months ending May 31, 2026, the Non-Litigated Disputes team processed and closed a total of 24,492 claim disputes, including 5,084 disputes submitted through NOIs and 19,408 non-NOI claim disputes. Collectively, these processes support timely and effective claim-dispute resolution outcomes.

Objectives and Scope

The objective of this engagement was to assess whether Citizens' ADR governance, operational controls, and performance monitoring are designed and operating to support timely, and appropriately documented resolution of claim disputes in accordance with management-approved processes and applicable requirements. The scope includes Citizens' internal activities, including intake, eligibility assessment, triage, evaluation, documentation, monitoring, and routing, through referral or assignment to an external administrative adjudicative forum. The engagement did not assess the validity of external proceedings, provide legal advice, or evaluate merits or strategy after referral or assignment. Citizens' internal steps before referral or assignment remained in scope.

Executive Summary

Key focus areas included:

- ADR governance and accountability
- Identification, intake, eligibility, triage, documentation, and timely routing of assignment of disputes
- Resolution outcomes
- Monitoring and reporting

Results

Overall, Citizens' Non-Litigated Disputes team has effective governance, operational controls, and management monitoring processes in place to support the timely, consistent, and appropriately documented resolution of claim disputes. Internal Audit determined that the processes and controls reviewed are designed appropriately and operate effectively. The following positive practices were observed:

- ADR governance and accountability are appropriately established, with defined roles and responsibilities, documented processes, and management oversight supporting consistent dispute handling across the various resolution channels.
- Dispute intake and processing activities are effectively managed, with eligible matters identified, documented, and routed within applicable statutory, policy, and procedural timeframes.
- ADR matters are evaluated and assigned to appropriate resolution paths based on the nature and characteristics of the dispute, with supporting information and routing decisions adequately documented within the claim file.
- Resolution activities are completed in accordance with established requirements, including applicable documentation, communications, approvals, payments, and closure procedures.
- Management reporting and dashboards provide effective oversight of dispute volumes, timeliness, resolution outcomes, workload, productivity, and emerging operational trends, and are used to support resource and operational decision-making.
- Management has established processes to support continuous improvement, including the use of quality assurance results, ongoing monitoring, management feedback, and other oversight activities to reinforce expectations and identify opportunities to enhance ADR operations.

Internal Audit did not identify any reportable observations as a result of this engagement.

Conclusion

The engagement demonstrates effective ADR processes, supported by appropriate governance, consistent dispute handling, and effective management oversight.

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

Appendix

The following table summarizes the results of data analytics testing performed.

1 targeted analytics	0 priority actions	1 effective outcomes	**100%** in-scope populations tested

Review Area	Result	Executive Insight
NOI 10 Business-Day Response Testing	**Effective**	Reviewed the full population of 4,185 Notices of Intent to Initiate Litigation (NOIs) received during the audit period of June 1, 2025, through May 31, 2026, to assess the timeliness of required responses. Ten potential anomalies were identified and researched. Eight were determined to have been responded to in a timely manner, with the exceptions resulting from ClaimCenter data-entry inconsistencies that Management corrected after Internal Audit brought them to its attention. Two NOIs were confirmed as having been responded to after the required 10-business-day timeframe. The responses were 1 and 11 days late, respectively. Both matters were still effectively handled, and no penalties resulted from the delays. Overall, 99.9% of NOIs were responded to within the required timeframe. Population tested: 4,185; Potential anomalies: 10; Confirmed exceptions: 2

Distribution

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The Honorable Blaise Ingoglia, Chief Financial Officer
The Honorable James Uthmeier, Attorney General
The Honorable Wilton Simpson, Commissioner of Agriculture
The Honorable Ben Albritton, President of the Senate
The Honorable Daniel Perez, Speaker of the House of Representatives

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