Office of the Internal Auditor

Engagement Report

August 2026

Personal Lines Underwriting

CITIZENS
PROPERTY INSURANCE CORPORATION

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Executive Summary

Background

Personal Lines Underwriting is responsible for evaluating new business and renewal policies to determine whether risks are eligible, insurable, accurately rated, and consistent with underwriting guidelines and regulatory requirements. These decisions rely heavily on complete and accurate policy data and the consistent application of underwriting rules.

Incomplete, inaccurate, or inconsistently applied underwriting data can result in policies being issued, renewed, or priced outside established requirements. This may lead to premium inaccuracies, compliance issues, and increased exposure to risks that were not properly evaluated. Key factors such as proof of flood coverage, dwelling value, mobile home characteristics, occupancy, protection class, construction type, roof information, wind eligibility, and other rating attributes directly affect eligibility, pricing, and Citizens' overall risk exposure.

As of May 2026, Citizens had approximately 289,000 personal lines policies in force, including more than 67,000 Mobile Homeowners policies. Homeowners and Wind-Only policies represent the highest total exposure. Given the volume, underwriting complexity, and potential financial impact of these products, consistent and accurate underwriting is essential, particularly in the context of catastrophic weather risk.

Objectives and Scope

This audit focused on Personal Lines Underwriting and used data analytics to test 100% of the in-scope policy population. The audit looked for anomalies, exceptions, trends, and potential control gaps related to eligibility, insurability, pricing accuracy, and compliance for select data criteria. The focus was directed towards the following areas:

- Critical underwriting data was complete, accurate, and reliable for decision-making.
- Eligibility and insurability determinations for high-risk policies, including mobile homes.
- Premium and surcharge factors data integrity and accuracy.
- Compliance with applicable underwriting policies and regulatory requirements for flood insurance and high-value homes.

Results

EXECUTIVE TAKEAWAY

Internal Audit tested the in-scope population of 289,032 Personal Lines policies using targeted analytics, then validated selected anomalies against supporting documentation. The results provide broad assurance over the seven (7) high-impact underwriting areas, with effective practices in four areas while identifying three focused opportunities to strengthen flood verification, primary residence premium rating, and open protection eligibility.

Internal Audit applied data analytics to the full population of in-scope Personal Lines policies across seven underwriting areas. The analytics identified potential anomalies, exceptions, and trends requiring further review and validation, providing broader assurance over underwriting data integrity, eligibility, pricing, and compliance.

Executive Summary

Overall, our work indicated that there are effective controls in place to ensure consistent, accurate, and timely policy decisions. The analytic results identified and validated effective practices in four areas, confirming that the policy activity is appropriately detailed, well documented, and generally aligned with underwriting guidelines for high-value dwelling coverage limits, mobile home surcharge, plumbing, and 4-point inspection eligibility requirements.

The analytics also identified three areas where targeted improvements to systems, processes, and training can provide the greatest value and can further enhance controls on eligibility, rating accuracy, and continuity of policyholder coverage.

Three Priorities for Focused Improvement

1	**Strengthen Flood Coverage Verification:** Identified 3,441 policies with missing, inaccurate, or outdated flood coverage information. Sample testing confirmed active flood insurance for some policies; however, policy records were not consistently updated. Also, some policies did not have flood renewal verification performed, which limited Citizens' ability to demonstrate continued eligibility at renewal. Contributing factors included a policy system defect affecting document linkage and delays in renewal verification and policy updates. Management is developing an enterprise renewal verification solution, targeted for implementation in Q3 2027.
2	**Improve Primary Residence Rating:** Identified 1,958 tenant-occupied policies receiving the primary residence rate with insufficient proof of primary residency. The total premiums for the impacted policies are approximately $5 million and may be mis-rated due to insufficient proof of primary residence.
3	**Enforce Class A Opening Protection Requirements:** Identified 42 policies in Miami-Dade and Monroe counties that are ineligible due to insufficient open protection documentation. Properties located in these counties that are in a wind debris region are required to have Class A hurricane grade open protection. The 42 policies represent approximately $43 million in insured exposure for properties without sufficient documentation demonstrating compliance with Class A opening protection requirements.

In addition, a few minor recommendations have been discussed with Management. Refer to Appendix A for more information on the detailed results summary.

Conclusion

Overall, the engagement results demonstrate a generally effective underwriting environment. Full-population analytics provided a clear view of underwriting performance and focused on the areas with the greatest improvement value. Internal Audit identified areas to strengthen the underwriting environment by implementing controls to enable consistent eligibility and accuracy decisions for flood coverage, primary residence rating, and open protection for high-value dwellings. These recommendations focus on system functionality, process improvements, and underwriter training for the highest impact areas.

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

Detailed Finding(s)

1. Proof of Flood Coverage Verification

Classification	**Medium**
Observation	Controls over flood documentation and renewal verification are not operating effectively. As a result, policy records may contain missing or inaccurate flood coverage information, and Citizens may not timely confirm that policies continue to meet flood insurance eligibility requirements. Internal Audit analyzed 269,598 Personal Lines policies in force as of May 2026, excluding tenant/contents policies. The analysis identified 3,441 policies with missing, inaccurate, or outdated information on flood coverage. Testing confirmed that some of the sampled policies had active flood insurance coverage but did not have accurate policy records. In addition, Citizens had not completed the required flood renewal verification and could not demonstrate that the sampled renewal policies remained eligible at the time of renewal. Citizens' Underwiring Guidelines for Flood Insurance Requirements and section 627.351(6)(aa), Florida Statutes, require applicable new and renewal policyholders to secure and maintain flood insurance as a condition of eligibility. Management confirmed two contributing issues: a policy system defect that does not consistently link flood insurance documents to the applicable policy; and delays in verifying renewal flood insurance coverage. Without effective preventive and monitoring controls, Citizens may renew ineligible policies, rely on inaccurate flood insurance data, and apply underwriting requirements inconsistently.
Cause	• Under specific processing scenarios, pre-renewal non-renewal directives are not retired as intended, resulting in certain policies being erroneously non-renewed a second time after the proof of flood insurance requirement had already been satisfied. • Flood coverage verification is conducted when the proof of flood insurance requirement is first established. The process does not include routine reverification of flood coverage at each renewal. • Underwriters are not properly submitting a policy change or renewal in the policy system to effectively capture the uploaded flood data.
Consequence	Inaccurate, incomplete or missing flood coverage information may lead to inappropriate underwriting eligibility decisions, non-compliance with regulatory requirements, and negatively impact the policyholder experience.

Detailed Finding(s)

Agreed Management Response	Management agrees with the finding and recommendations. • Continue implementing a solution to the document-linking system defect and evaluate opportunities to strengthen controls, validations, or user guidance related to linking flood insurance documentation to policy records. • Implement system configuration and Underwriting procedures for verifying flood coverage at renewal. Citizens is developing a comprehensive enterprise solution for renewal flood verification that will include insured attestation, validation of NFIP coverage through FEMA data, and a vendor solution to identify private flood coverage. When coverage cannot otherwise be validated, documentation will be requested from the insured. The solution will also address appropriate capture and linkage of flood documentation and related monitoring controls. • Implement reporting to identify potentially affected policies without proper flood coverage. • Reinforce Underwriter and Agent training on uploading, linking, and validating flood documentation and related data fields.		
Responsible Individual	**Forrest White**, Director – Underwriting	**Completion Date**	09/30/2027

Detailed Finding(s)

2. Tenant Occupied Primary Residence Rate

Classification	**Medium**
Observation	Controls over the proof-of-primary-residence requirements for tenant-occupied properties are not operating effectively due to an implementation error. As a result, policies may receive the primary residence premium rate without the documentation required to establish that the tenant occupies the property as a primary residence. Management identified the implementation error affecting the proof-of-residence requirements for tenant-occupied properties and has remediated the system configuration accordingly. Internal Audit analyzed 289,032 personal lines policies in force as of May 2026 and identified 1,958 tenant-occupied policies receiving the primary residence rate without supporting documentation. The policy records did not include tenant identification and lease agreements but instead relied on the property owners' homestead exemption. A homestead exemption does not establish that a tenant-occupied property is the tenant's primary residence. The 1,958 policies represent approximately $5 million in total premium. Additional validation with the policyholders is necessary to determine whether the primary residence rate was applied correctly. Citizens' Underwiring Guidelines for Primary Residence Requirements require tenant identification and a lease agreement to support eligibility for the primary residence rate. Sections 627.351(6)(n)8 and 9, Florida Statutes, define a primary residence as the policyholder's primary home or a rental property that is the tenant's primary home, and is occupied for more than nine months of each year.
Cause	There was an implementation error that allowed inadequate proof for tenant-occupied properties, which caused the primary residence rate to be applied incorrectly.
Consequence	Potential for inaccurate premiums, inconsistent application of primary residence requirements, and policy data that does not reliably reflect dwelling use or supporting documentation.
Agreed Management Response	Management agrees with the finding and recommendations to: • Review the Policy system configuration to prompt review or prevent the primary rate when documentation is insufficient to align proof of primary residence requirements for tenant-occupied properties. • In addition, Management is remediating the potentially impacted policies by monitoring and requesting appropriate proof of primary

Detailed Finding(s)

	residence approximately 150 days prior to renewal. Because policy information cannot be updated until the renewal transaction generates, remediation will occur throughout the affected policies' renewal cycles and is expected to take approximately 12 months. • Reinforce Underwriter and Agent training on uploading and validating the primary residence requirements for tenant occupied properties.		
Responsible Individual	**Forrest White**, Director – Underwriting	**Completion Date**	09/30/2026

Detailed Finding(s)

3. Open Protection Eligibility

Classification	**Medium**
Observation	Controls over the opening protection eligibility requirements for high value residential structures located in a wind-borne debris region are not operating effectively. As a result, ineligible policies may have been issued or remained in force without sufficient evidence that windows, glazed doors, garage doors, and other required exterior openings were protected by impact-resistant materials, shutters, or other approved coverings. Controls should be in place to prevent or detect policies that do not have sufficient opening protection requirements. Internal Audit analyzed 1,800 in-force personal lines policies with an insured value of $750,000 or more in Miami-Dade and Monroe counties. The analysis identified 42 policies that did not have the required Class A opening protection. The sampled policies reviewed were determined to be ineligible for coverage due to missing or insufficient evidence of these requirements. These policies represented approximately $43 million in potential exposure to windstorm losses. Florida Statute 627.351(6)(a)5 states that a residential structure located in a wind-borne debris region with an insured value of $750,000 or more is not eligible for Citizens coverage unless all openings have protection that met the Florida Building Code when installed. Citizens' Underwriting Guidelines for High-Value Dwellings apply this requirement through the Class A opening-protection classification.
Cause	There was a system configuration error that allowed the properties without Class A protection to remain in force.
Consequence	Ineligible high-value properties remain insured without proper support that Class A opening protection requirements are met, causing potential financial loss and non-compliance with regulations.
Agreed Management Response	Management agrees with the finding and recommendations to: • Through a cross-functional workgroup, evaluate controls for policies whose Coverage A increases to $750,000 or more. Product Management and Legal will review the applicable statutory requirements, including the requirement that opening protection meet the Florida Building Code when installed, to confirm appropriate documentation and eligibility standards. • Complete remediation of the identified ineligible policies. • Review Policy system configuration to prompt an Underwriting review or automated eligibility action and pursue appropriate system

Detailed Finding(s)

	enhancements to identify and act on existing policies that reach the applicable threshold. • Implement reporting to monitor high-value dwellings without Class A open protection. • Reinforce Underwriter and Agent training on uploading and validating the open protection requirements.		
Responsible Individual	**Forrest White**, Director – Underwriting	**Completion Date**	03/30/2027

Appendix 1

The following table summarizes the results of the seven underwriting areas reviewed.

7 targeted analytics	3 priority actions	4 effective outcomes	100% in-scope populations tested

Review Area	Result	Executive Insight
Proof of Flood Coverage	**Action needed**	Identified 3,441 policies with missing, inaccurate, or outdated flood coverage information. Sample testing confirmed active flood insurance for some policies; however, policy records were not consistently updated. Also, some policies did not have flood renewal verification performed, which limited Citizens' ability to demonstrate continued eligibility at renewal. Contributing factors included a policy system defect affecting document linkage, delays in renewal verification, and policy updates. Population tested: 269,598; Anomalies: 3,441
High-Value Dwelling Coverage A	**Effective**	Observed a trend of 108 policies with coverage values set to the maximum coverage limit. The result did not indicate a significant control issue, but rather two policies with isolated exceptions caused by a minor system defect. Identified two anomalies with policies above the allowed coverage thresholds and are determined to be eligible based on supporting records. Population tested: 288,695; Anomalies: 110
Primary Residence Rating	**Action needed**	Identified policies receiving the primary residence rate without meeting requirements for three seasonal-use properties, one false positive, and 1,958 tenant-occupied properties. Sampled policies were validated and potentially ineligible. Population tested: 289,032; Anomalies: 1,962
Mobile Home Surcharge	**Effective**	Identified and validated five anomalies for MHO-3 policy types without the expected 10% surcharge for not having electric/heating updates. The result did not indicate a significant control issue, but rather an isolated exception. Population tested: 68,876; Anomalies: 5
Class A Opening Protection	**Action needed**	Identified 42 anomalies in Miami-Dade and Monroe counties that did not meet Class A opening protection requirements. Sampled policies were validated and potentially ineligible. Population tested: 1,800; Anomalies: 42
Plumbing Eligibility	**Effective**	Identified and validated seven anomalies coded with polybutylene plumbing. Policies are eligible and appropriately supported by repair documentation. Data quality enhancement is recommended. Population tested: 402; Anomalies: 7
Four-Point Inspection Eligibility	**Effective**	Identified and validated three anomalies with potential inspection issues for homes older than 20 years. Policies are eligible and supported by completed inspections and underwriting records. Data quality enhancement is recommended. Population tested: 26,702; Anomalies: 3

Distribution

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