

Memorandum

To: Stephen Mostella, VP - Underwriting
From: Internal Audit
Date: August 26, 2026
Subject: Continuous Assurance - Commercial Lines Underwriting

Purpose

The objective of this engagement was to continuously assess whether commercial lines policies approaching renewal continued to meet applicable underwriting eligibility requirements and whether potentially ineligible policies were appropriately identified and addressed prior to renewal.

The engagement included six months of monthly continuous monitoring of the Commercial Lines Policies in Force population. Internal Audit evaluated policies identified through an underwriting eligibility analytic and researched flagged items using PolicyCenter and other available supporting information to determine whether further underwriting action or management follow-up was warranted.

Key focus areas included continued eligibility of commercial lines policies prior to renewal; application of applicable roof eligibility requirements; accuracy and completeness of relevant policy and property characteristics; timeliness and consistency of pre-renewal underwriting activity; and appropriate resolution and escalation of policies identified through continuous monitoring.

Background and Monitoring Approach

Citizens' Commercial Lines Underwriting (CLU) process is responsible for evaluating and maintaining the eligibility of commercial property policies in accordance with established underwriting requirements. Eligibility is assessed at new business and throughout the policy lifecycle, including prior to renewal, as changes in property characteristics, inspection results, roof condition, or other underwriting information may affect a policy's continued eligibility.

Because commercial policies may remain in force for multiple renewal terms, effective renewal underwriting depends on accurate policy and property information, timely review of available underwriting information, and appropriate action when a policy no longer meets applicable eligibility requirements. Underwriters use information maintained in PolicyCenter and supporting property and inspection data to evaluate continued eligibility and determine whether renewal, nonrenewal, or other underwriting action is appropriate.

As part of Internal Audit's Continuous Assurance program, an automated analytic was developed to monitor the Commercial Lines Policies in Force population for key eligibility risk attributes. The analytic focused primarily on roof eligibility and applied applicable underwriting criteria based on factors including roof configuration, covering material, building year, roof update year, and validated Remaining Useful Life (RUL). The monitoring was designed to provide visibility into policies that may warrant further underwriting review and serve as a risk-insight mechanism rather than an operational control.

The analytic evaluated roof eligibility through a conditional rule matrix incorporating roof shape, covering material, building year, roof update year, and validated remaining useful life, with applicable eligibility thresholds applied based on the characteristics of each policy.

Results

Overall, Internal Audit determined that the Commercial Lines Underwriting renewal process is operating effectively and generally identifies and addresses policies that may no longer meet applicable eligibility requirements.

During six months of continuous monitoring, Internal Audit identified a limited number of anomalies requiring additional research or management follow-up. These matters were primarily isolated instances involving system or data issues, timing or documentation of pre-renewal activity, temporary workload-related delays, and individual underwriting judgment or processing errors. The results did not indicate a systemic or widespread control issue.

Management was responsive to the matters identified, researched and addressed individual items, and used Internal Audit's feedback to reinforce underwriting expectations through recurring meetings, coaching, and training. A temporary backlog in field survey reviews identified during the monitoring period was also subsequently cleared.

Positive Practices

- Continued eligibility is generally reviewed and addressed as part of the renewal underwriting process.
- Policies identified through the analytic were typically supported by appropriate underwriting activity or a reasonable basis for continued eligibility.
- Identified anomalies were isolated and did not indicate a broader control deficiency.
- Management appropriately responded to monitoring results and used identified matters to reinforce consistent underwriting practices.

Overall Assessment

Internal Audit did not identify any reportable observations from this engagement. The isolated anomalies identified during the monitoring period did not indicate a systemic or widespread control issue.

Management was responsive to the matters identified and used Internal Audit feedback to reinforce underwriting expectations through recurring meetings, coaching, and training. The temporary backlog in field survey reviews was also cleared during the monitoring period.

Conclusion

The engagement demonstrates an effective Commercial Lines Underwriting renewal process, supported by established eligibility requirements, ongoing underwriting review, and responsive management oversight.

The six months of continuous monitoring achieved its intended purpose by providing additional visibility into potentially ineligible policies, identifying isolated opportunities to reinforce underwriting practices, and allowing management to address those matters through ongoing feedback, coaching, and training. The matters identified were not indicative of a systemic or significant control deficiency.

Based on the results of the monitoring period and the maturity demonstrated by the process, Internal Audit determined that continued monthly monitoring is no longer necessary at this time and concluded the Commercial Lines Underwriting Continuous Assurance engagement.

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

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