



Advisory Memorandum

Date: October 18, 2017
To: Candace Bunker, Legislative & Cabinet Affairs Manager
From: Bill Atwood, Senior Internal Auditor
Subject: Implementation of 2017 Legislative Changes

Background

As a state entity and an insurance provider in the State of Florida, Citizens' operations are primarily governed by state statutes and related rules created by state agencies. During their annual session, the Legislature may initiate numerous bills designed to create new statutes or modify existing ones which could affect Citizens' operations. Legislative and Cabinet Affairs has implemented a process to track and report weekly on the progress of bills as they proceed through the legislature.

Throughout the 2017 Legislative Session, Legislative and Cabinet Affairs tracked and reported weekly on 126 bills; of these 26 were of special interest to Citizens. Six of the 26 bills passed, of these HB 1007 has an impact on Citizens operations.

Legislative and Cabinet Affairs prepared a synopsis of HB1007 which summarizes the requirements of the legislation. The synopsis confirms that HB 1007 establishes uniform fraud prevention standards across all insurers. It further requires insurers to establish and maintain, or contract with, a fraud investigation unit or service, and submit an anti-fraud plan annually. Required elements of the plan include acknowledgements related to implementation of fraud detection and investigation procedures, mandatory reporting procedures, and anti-fraud education and training; descriptions of the anti-fraud unit and required education and training; and the rationale for anti-fraud unit staffing. The bill also creates a requirement for insurers to submit fraud-related data on an annual basis. The bill was signed by the Governor on June 26th and became effective on that date.

Engagement Scope and Objectives

The purpose of this engagement was to monitor steps taken by Citizens to comply with the 2017 legislation changes.

Results

Legislative and Cabinet Affairs, in conjunction with Legal Services and Claims Management, identified the eight provisions in the legislation that impacted Citizens and an implementation team was assembled to determine the specific actions necessary. Many of the provisions, such as establishing a fraud unit, developing an anti-fraud plan, and establishing fraud training requirements were already in place at

Citizens. Plans for the annual review and formal approval of the Anti-Fraud Plan and the annual reporting requirements have also been implemented.

The Operational Compliance Governance Framework, adopted in September 2016 by the Executive Leadership Team, established a compliance champion program which identifies one or more individuals in each business unit with responsibility for validating compliance with applicable laws, rules and regulations for their respective units. The assigned compliance champion for the Claims function will be responsible for the annual certification of compliance with the provisions of this legislation.

Our work confirmed that appropriate steps have been taken to ensure compliance with the fraud prevention standards of HB 1007.

We would like to thank management for their assistance during this engagement.

Distribution

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