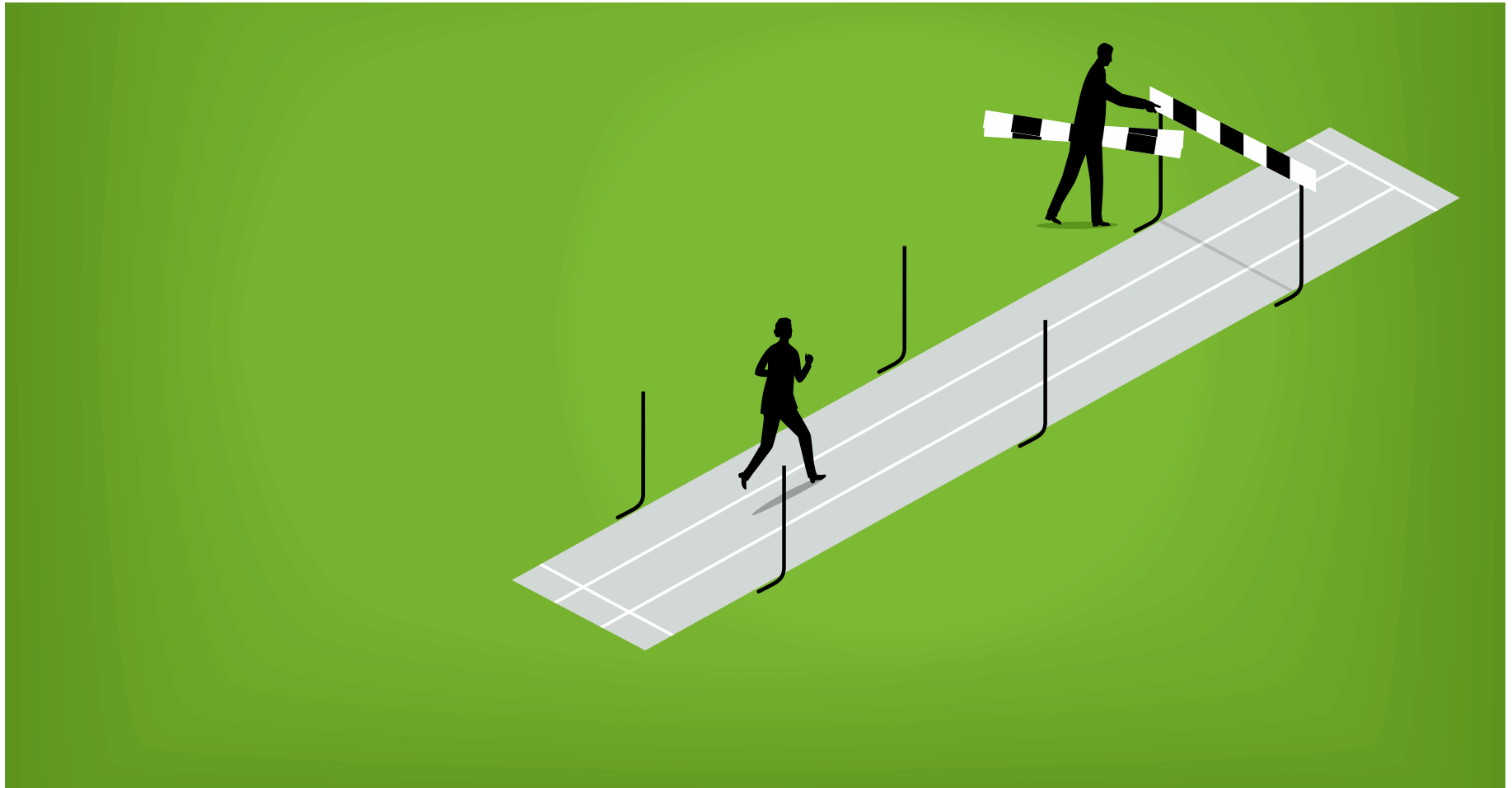


DHGHG

DIXON HUGHES GOODMAN LLP

Citizens Property Insurance Corporation
2017 Audit Plan
December 12, 2017



Citizens Property Insurance Corporation

- Audit the financial statements of Citizens Property Insurance Corporation (GASB)
- Audit the statutory-basis financial statements of Citizens Property Insurance Corporation (STAT)

Florida Market Assistance Plan

- Audit the financial statements of Florida Market Assistance Plan (GAAP)

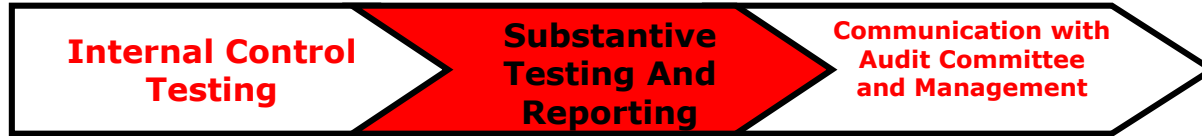
Process and Internal Control Analysis



Internal control analysis, to be performed for our understanding of the entity:

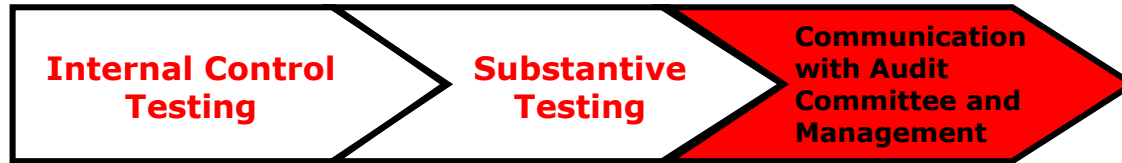
- ✓ Internal Controls over Financial Reporting and Financial Close Process
- ✓ Entity Level Controls
- ✓ IT General Controls and Application Controls for Key Systems
- ✓ Claims Management
- ✓ IBNR
- ✓ Premium Revenue Recognition and Premium Receipts
- ✓ Reinsurance & CAT Bonds
- ✓ General Ledger Conversion in 2017
- ✓ Cash Management and Oversight

Substantive Testing and Reporting



- **Substantive testing, relying on control testing as appropriate:**
 - Substantive testing on Account Balances through qualitative and quantitative risk assessments. See following slides for select key areas of focus for substantive testing and planned procedures at the account level.
 - Perform fraud risk assessment to include inquiries of Company personnel.
 - Perform testing of Journal Entries for indication of management override of controls and fraud
 - Test Consolidation, Cash Flows, and Financial Statement Classification
 - Evaluate Financial Statement Disclosures
 - Evaluate Related Parties
 - Evaluate Significant Uncertainties, Accounting Policies and Principles, Complex Transactions
 - Evaluate Subsequent Events
 - Conclude on the Going Concern Assumptions

Communication with Audit Committee and Management



- **Communications with Audit Committee and Management:**

- Summary communications to Management and the Audit Committee during planning and at the completion of the audit of our observations resulting from these outlined substantive audit procedures; ongoing communications as necessary.

Reserves

Objective

Management must develop an adequate reserve amount for case reserves and incurred but not reported claims to cover these future claims. Reserve may not be valued properly, thus causing a significant fluctuation in earnings and sustainability.

Planned Procedures

- Obtain the loss reserves data which was provided to the actuary and agree the data and key elements to the balances audited by DHG. Obtain the **9/30/17 report** & 12/31/17 actuary report and Statement of Actuarial Opinion.
- Request that engaged third party actuarial specialist complete an examination of the actuarial estimate in order to independently verify the reasonableness of the methodologies and assumptions employed by management's external actuaries.
- Test the underlying data used by the actuaries by reconciling the data to the general ledger and performing the following procedures on the completeness and accuracy of the data:
 - a. Apply a test of details on the completeness and accuracy of the recorded case reserves and paid losses;
 - b. Test on an attribute basis for unreasonable open and closed claims;
 - c. Test on an attribute basis claims which are considered long tail losses for appropriateness;
 - d. Test on an attribute basis claims under litigation;
 - e. Perform a large loss look-back analysis for subsequent payments after year end.
- Determine whether the recorded IBNR reserves are within the actuarial independent range of estimates. Agree the total recorded reserves (case and IBNR) to the actuarial memo.
- Evaluate the rational of where within the range the reserves were recorded.

Premium Revenue Recognition

Objective

Improper recognition of revenues is a significant inherent risk creating a directional risk that premium revenue is not properly cut-off or inappropriately valued causing potential overstatement of revenues.

Planned Procedures

DHG will examine managements premium recognition policies are appropriate applied to the accounting principles. DHG will test a sample of premiums written detail to policy declaration pages and other policy documents to prove existence and appropriately recognized in the correct period, further tracing samples to evidence of cash receipts and appropriate policy application. DHG will recalculate appropriate earning of policy premium over the contract period. DHG will examine samples with policy endorsements, cancellations, and new lines business. DHG will analyze the controls over the premium recognition process, further recalculating premiums are appropriately valued within the state approved underwriting guidelines.

Investment Valuation

Objective

Potential risk for significant decline in the fair value of investments (and impaired potential for recovery).

Planned Procedures

DHG will test the FMV of the fixed income security portfolio held through the examination third party vendor pricing through the use of DHG pricing specialist. In addition, DHG personnel will examine the assumptions and rationale of management's OTTI assessment to verify that they are in accordance with accounting standards. DHG will examine appropriate classification of security classifications in accordance with the NAIC SVO for statutory reporting. DHG will further confirm all investment balances held by the company with the third party custodian and further test purchase and sales of securities during the period under audit.

Reinsurance

Objective

Potential risk for inappropriate existence, valuation, and cutoff of reinsurance premiums ceded and prepaid reinsurance premiums. Further risk of inappropriate evaluation of appropriate risk transfer under reinsurance contracts.

Planned Procedures

DHG will test to ensure that reinsurance treaties properly transfer risk in accordance with GAAP / Stat. DHG will examine reinsurance contracts for appropriate recognition of ceded premium balances. We will also assess the collectability of amounts due from reinsurers through confirmations directly with third party reinsurers. Further will assess the admissibility of those assets for statutory accounting purposes through authorized reinsurers.

For risk mitigated through CAT Bonds, DHG will identify the nature and extent of any CAT bonds in the reinsurance structure. DHG will access entries arising from CAT Bonds to determine whether the appropriate accounting treatment has been properly applied.

DHG will evaluate credit risk associated with reinsurance recoverables under reinsurance treaties.

Management Override

Objective

Management override of controls is an inherent risk. All account balances are applicable to this risk. Various assertions apply to this risk.

Planned Procedures

DHG will obtain an understanding of the Company's financial reporting process and the internal control with respect to the journal entry process. DHG will test and obtain an understanding of a selection of journal entries including significant top side entries or those made at period end. DHG will inquire of management about the risk of fraud, how those risks are addressed and the business rationale of significant transactions of which we become aware that are outside of the normal course of business or appear to be unusual given our understanding of the Company and/or industry. Further, DHG will test all significant management estimates and key assumptions used by management for bias considering historical information, anticipated future events/actual events as of the reporting date, and consideration of external third party sources. For significant management estimates DHG will perform retrospective reviews to evaluate managements ability to accurately prepare forecast.

Use of Specialist / Management

- Information Technology
 - Ryan Boggs, Senior Manager – Dixon Hughes Goodman
- Investments Valuation
 - Dixon Hughes Goodman Business Valuation Group
- Actuary
 - Dave Shepherd – Merlinos & Associates
- Internal Audit
 - Joe Martins and John Fox - Citizens

Expected Deliverables Upon Completion of Audit

- Independent Auditors reports
 - Citizens Property Insurance Corporation (GASB)
 - Citizens Property Insurance Corporation (STAT)
 - Florida Market Assistance Plan (GAAP)
- Communication To Those Charged with Governance (SAS 114)
- Acknowledgement Letter (FLOIR)
- Letter of Qualifications (FLOIR)
- Ad hoc reporting as requested by Audit Committee

Audit Engagement Timing

Planning – November 2017

Interim Fieldwork – 12/18/17

Final Fieldwork – (4 Weeks)

-Onsite 4/2/18 to 4/27/18

Reporting - (2 Weeks)

-Onsite As Needed 5/1/18 to 5/15/18

Estimated Completion Date – May 15, 2018

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