

Operational Compliance Governance Implementation Update

Nancy Staff
Director of Ethics and Compliance Officer

As of November 17, 2017



Operational Compliance Governance Implementation

Operational Compliance Governance Framework:

The Operational Compliance Governance Framework (Framework) was adopted by the Executive Leadership Team on September 19, 2016. The Ethics and Compliance Officer (ECO) is responsible for overseeing the implementation of the Framework with the assistance of Compliance Champions identified throughout Citizens. The ultimate goal of implementing the Framework is to foster full compliance by Citizens to all relevant laws, rules, and regulations by using a systematic, documented, enterprise approach (with operational flexibility).

Operational Compliance Governance Implementation

The Framework calls for:

- Identification of all relevant laws, rules and regulations
- Education and training of appropriate staff
- Integration of laws, rules and regulations into work processes, procedures, and corporate policies
- Monitoring for adherence to laws, rules and regulations
- Updating as requirements change
- Communicating changes to the appropriate staff and
- Addressing areas of noncompliance in a strategic risk based fashion.

Key Strategic Initiative

The Framework envisions these deliverables being met through the ECO, working collaboratively with Compliance Champions from throughout Citizens who act as the subject matter expert on the laws, rules and regulations in their respective business unit **and** also serve as a liaison with the ECO.

To facilitate this an Enterprise Project was initiated to establish the **Compliance Champion Network**. This project encompasses the initial standing up, goal setting, and record keeping of the network until the effort becomes operational. It was identified as a Key Strategic Initiative for 2017, in support of Corporate Goal 4, *Protect the Public Interest and Maintain the Integrity of the Corporation*.

Compliance Champion Network Project

Sponsor: **Dan Sumner**, Chief Legal Officer & General Counsel

Owner: **Nancy Staff**, Director of Ethics and Compliance Officer

Manager: **Lisa Westcott**, Project Manager-Intermediate

Compliance Champions

Barbara Arnold

Consultant, Underwriting & Agency Services

Chuck Bowen

Counsel, Ethics & Compliance

Mitch Brockbank

Director, IT Security & Risk

Candace Bunker

Manager, Legislative & Cabinet Affairs

Lori Andrade-Dillingham

Director, HR Business Partner Management

March Fisher

Sr. Director, Corporate Analytics

Michael Guerra

Director, Claims

Spencer Kraemer

Director, Purchasing

Cherri Linn

Director, Facilities Management & Real Estate

Michael Maitland

Manager, Records Custodian

Lori Newman

Manager, Vendor Relationship Management Services

Elaina Paskalakis

Vice President, Claims Litigation

Carrie Thomas

Director, HR Total Rewards

Andrew Woodward

Sr. Director, Controller

Project Accomplishments

- The Compliance Champions reviewed and updated the inventory of laws, rules and regulations (**hereafter referred to as LRRs**).
- LRRs were further refined into implementable elements based on existing business processes.
- Assigned business unit owners to the LRR elements and identified business areas that require awareness of LRRs they do not own.
- Documented the method(s) that LRRs are implemented in the business process and monitored for compliance.
- Internal staff provided the commitment and support to achieve the goals. No external vendors were used.
- The initial certification of all LRRs was completed in October.

Certification Process

During the Certification Process the Compliance Champions were asked about the LRRs assigned to their areas.

LRRs encompass all state, federal and local laws, rules, regulations, Court/OIR Orders or other mandates carrying the force of law that Citizens is required to follow.

LRRs generally fall into three categories:

Directive: Requires Citizens to take an affirmative action. The certification process elicited information on implementation of, and compliance with, the directive.

Prohibition: Requires Citizens or its employees to refrain from taking a certain action. The certification process elicited information on the level of awareness, training and/or communication of the prohibition to the appropriate audiences.

Informational: General statements with no specific activity required by Citizens thus no certification was necessary.

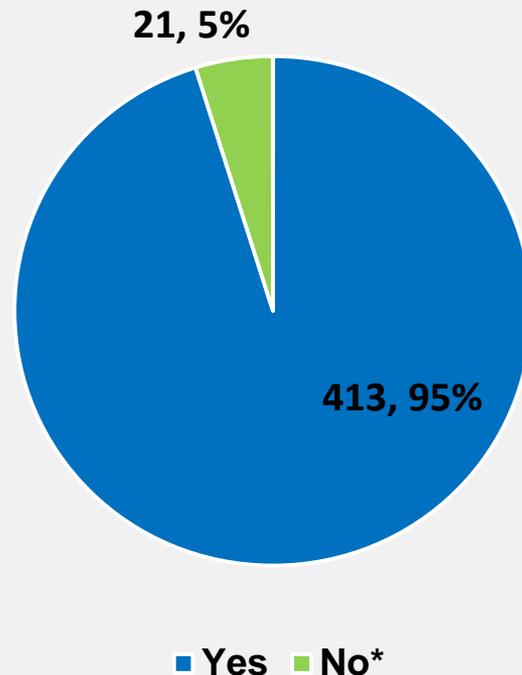
Directive Certification Process

Addressed LRRs and asked the following questions:

- Is the LRR element currently implemented in the business process?
 - If Yes, provide a brief description of how the LRR is implemented.
 - If No but in the process of implementing, what is the estimated implementation date?
- Are the implemented Directives currently monitored for compliance?
- Of the elements monitored for compliance, which methods are used?

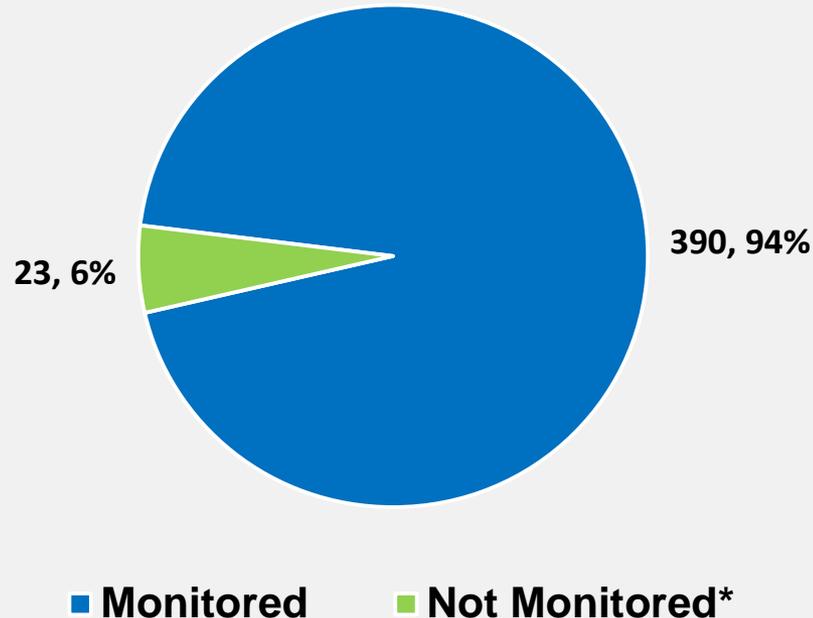
<i>3rd Party contractual responsibility</i>	<i>Manager Review</i>
<i>Automated tools</i>	<i>Peer review</i>
<i>Dedicated QA unit</i>	<i>Spot checks/random sample</i>
<i>Formal/informal assessment</i>	<i>Surveys</i>
<i>Interviews</i>	<i>Tracking documents</i>
<i>Other methods</i>	
- **As a result of compliance monitoring are you reasonably certain there is compliance with the LRR element?**

Is the LRR Directive currently implemented in the business process?



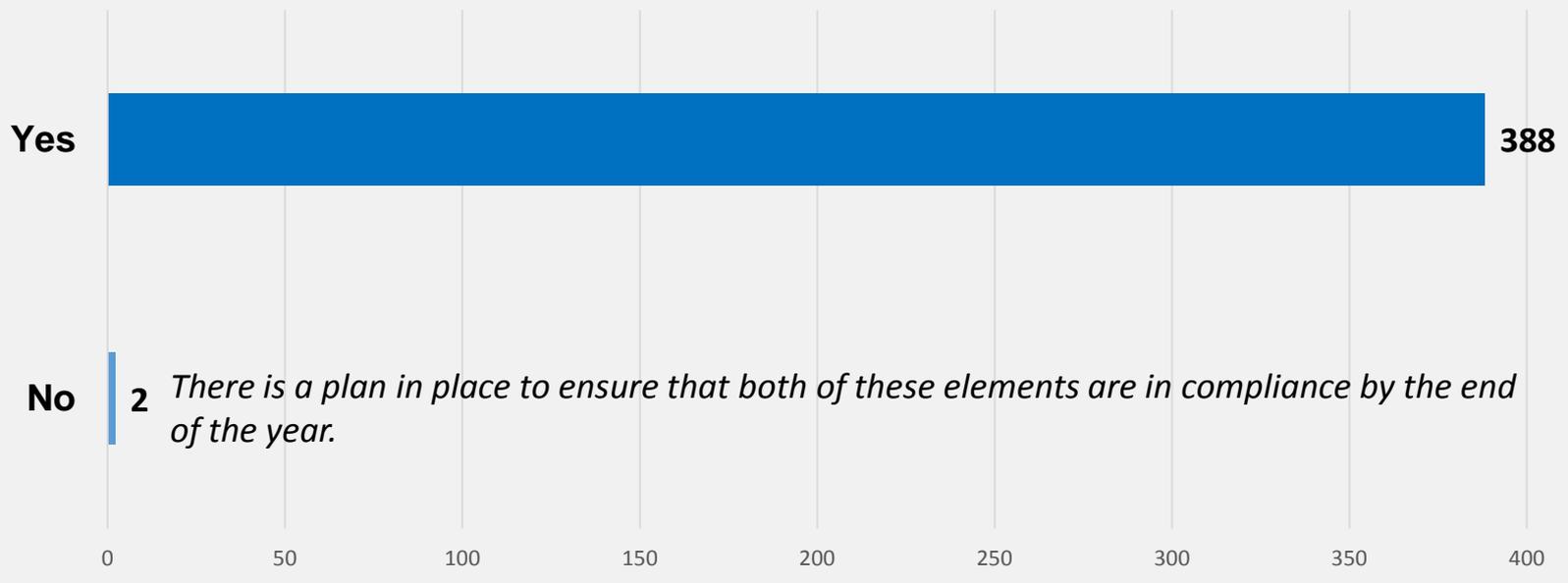
* There are a number of valid reasons why no would be appropriate, such the LRR is a definition, obsolete, etc. The Ethics & Compliance Officer is coordinating with the appropriate Champion to ensure implementation strategies are developed where appropriate.

Are the implemented Directives currently monitored for compliance?



*There are number of valid reasons why not monitored would be appropriate, such as the statutory requirement was a one time directive and it has been accomplished. The Ethics & Compliance Officer is coordinating with the appropriate Champions to ensure monitoring is implemented where appropriate.

As a result of compliance monitoring are you reasonably certain there is compliance with the LRR Directive?

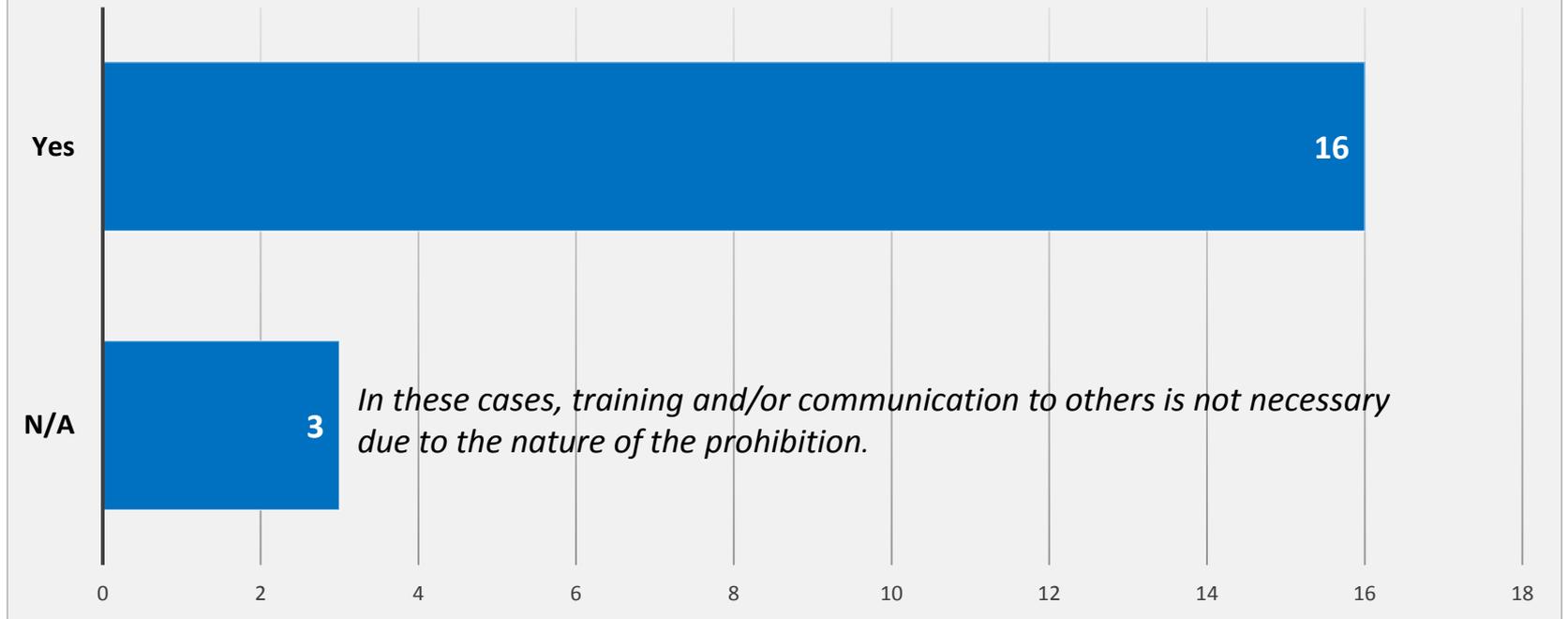


Prohibition Certification Process

Addressed LRRs and asked the following questions:

- List names of key employees who should remain aware of the status of the prohibition.
- Is the LRR prohibition element trained and/or communicated to others?
- If no, briefly explain why it is not trained or communicated to others.
- If yes,
 - Briefly describe how the specific LRR is trained and/or communicated to others
 - List/describe the audience(s) (i.e. individual employees teams, roles, etc.) that receive training or communication
 - List the key personnel (names and titles) responsible for training/communicating
 - Date of most recent Training /Communication
- **Are you reasonably certain that the appropriate audiences have been made aware of this prohibition?**

Are you reasonably certain that the appropriate audiences have been made aware of this prohibition?



Certification Results

- The LRR inventory is substantially more accurate than prior to this project.
- Business units or processes that need assistance in developing an appropriate plan for implementation, compliance and/or compliance monitoring have been identified.
- Data has been captured that can be used as a resource to perpetuate institutional knowledge following employee turnover.

Next Steps

- The LRRs may be further refined into additional implementable elements based upon an analysis of the information gained during the certification process.
- The LRR inventory will continue to undergo qualitative review and will be updated as needed.
- The LRR inventory will undergo a second round of certification in 2018 to capture any legislative or business process changes with the goal of an annual certification thereafter.

For additional information, please contact:

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