

CITIZENS PROPERTY INSURANCE CORPORATION

OPERATIONAL COMPLIANCE GOVERNANCE FRAMEWORK

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Operational Compliance Governance Framework

PURPOSE:

Citizens Vision: As a government entity fulfilling a public purpose, Citizens aspires to provide insurance products and services that meet the needs of Florida property owners who are, in good faith, entitled to obtain coverage through the private market but are unable to do so. We strive to reduce the financial burden on all Floridians by being good stewards of the premium funds entrusted to us. In all that we do, we will conduct ourselves with the highest level of ethical behavior.

In furtherance of its vision, Citizens has identified the following five strategic goals.

1. Operate as an efficient residual market.
2. Ensure a strong financial operating environment.
3. Operate a streamlined, scalable and customer-focused organization.
4. Protect the public interest and maintain the integrity of the corporation.
5. Identify, effectively communicate with, and educate internal and external stakeholders.

A comprehensive operational compliance governance framework is important to the accomplishment of these goals, and is of vital importance in regard to “protecting the public interest and maintaining the integrity of the corporation”. The framework, once fully implemented, will permit Citizens to demonstrate its commitment to compliance with all relevant laws.

GOAL:

The ultimate goal of implementing the operational compliance governance framework is to foster full compliance by Citizens to all relevant laws, rules, and regulations (LRRs). This will be accomplished by using a systematic, documented, enterprise approach (with operational flexibility). This approach will encompass the identification of all relevant LRRs, education and training of appropriate staff, integration of LRRs into work processes, procedures, and corporate policies, monitoring for adherence to LRRs, updating as requirements change, communicating changes to the appropriate staff, and addressing areas of noncompliance in a strategic risk based fashion.

BASIS OF FRAMEWORK:

There are several compliance management frameworks available that provide guidance on the components that should be incorporated in a compliance management program. Of these, the most prominent are Chapter 8 of the Guidelines Manual from the United States Sentencing Commission (USSC) and the International Organization of Standards (ISO) 19600 – Compliance Management System Guidelines. All sources stress that the size and scope of a compliance management function will vary depending on the size and make-up of an organization. The following main components are generally included in a compliance management framework.

- Organization – How authority and compliance responsibilities are established and assigned throughout the organization. Ensuring that appropriate resources have been identified to fulfill the organization’s compliance objectives.
- Compliance Obligations – Identification and assessment of laws, regulations, statutes and rules applicable to the operation of the organization.

- Communication – An effective method for periodically communicating standards, procedures and other aspects of a compliance program to all employees, especially those charged with specific compliance management responsibilities.
- Training – an effective plan and practical procedures for providing or facilitating appropriate levels of compliance training throughout the organization.
- Monitoring – monitoring the organization’s efforts to ensure appropriate compliance with laws, regulations, statutes and rules and corporate policies, including assessing risk of noncompliance.
- Reporting – periodic reporting to senior management, the organization’s governing body and other stakeholders related to the effectiveness of the organization compliance efforts.

Citizens Approach

An enterprise compliance program can take the form of either a centralized, decentralized or hybrid function. One risk to a centralized approach to enterprise compliance is cultural. Once a dedicated, centralized function focused on compliance is carved out, people may begin to view compliance risk as someone else’s problem—namely that of the compliance function. Employees may begin to view those in the compliance function as adversaries—enforcers that must be tolerated—rather than business partners that can accelerate success.

Meanwhile, a decentralized approach can make it difficult for executive and board leadership to look across the organization and understand how compliance risks are evolving. Just as important, it can result in the inconsistent application of compliance policies— different business units are more likely to take their own approach.

Citizens will adopt a “hybrid” approach (centralized/decentralized) with a unifying thread being the Ethics and Compliance Officer (ECO). This approach will be successful because of two factors. First, the individual business units will designate dedicated Compliance Champion(s) who are already familiar with the business unit’s processes as they relate to compliance and will liaison on an individual level with the ECO to provide information. The second factor, and this is critical for a successful enterprise approach, is that the Compliance Champions as a group will act as a cohesive, coordinated network to share information, ideas and best practices with each other, and the ECO, creating a positive compliance focused synergy across Citizens. This hybrid approach is the most effective way to assure enterprise compliance at Citizens because it would allow a centralized view of compliance through standardized reporting and communication to the ECO. At the same time, it will maintain the current decentralized operational compliance structure while permitting cross functional best practices to organically evolve.

ROLES, RESPONSIBILITIES AND REPORTING STRUCTURE:

Senior Management will provide the support and resources necessary to implement the Operational Compliance Governance Framework (Framework) by promoting a culture of corporate compliance which includes solicitation of feedback on compliance related risks, problems and solutions without fear of retaliation. Senior management will provide key employees to serve as Compliance Champions recognizing that the role is an essential part of the employee’s duties and will evaluate and compensate it, if appropriate, as such. Senior management will also encourage the collaboration and cooperation of Key Resources with the Compliance Champions and ECO.

The Ethics and Compliance Officer is appointed by and reports to the General Counsel. The Ethics and Compliance Officer (ECO) communicates with all management personnel. The Compliance Office has access to all relevant and appropriate records and documentation.

The ECO provides advice and counsel to Citizens and overarching responsibility for coordinating the communication and reporting of compliance using a network of Compliance Champions housed within the business units.

The ECO is responsible for creating and encouraging the implementation of the Framework which is an integrated system of compliance components that considers the high level of compliance expected by the corporation in conjunction with available resources, employing the elements and personnel already in place to handle compliance-related responsibilities.

ECO specific responsibilities:

- Make regular reports to the ELT and, as needed, reports to the Board of Governors.
- Receive and review regular reports from Compliance Champions.
- Serve as a resource to Compliance Champions to provide guidance on effective communicating and training on compliance matters.
- Make recommendations in collaboration with the Compliance Champions to improve compliance.
- Provide additional oversight at the enterprise level (working in conjunction with the applicable Compliance Champions, Key Resources and other relevant stakeholders) to ensure Corporate Policies, including the Code of Ethics, are maintained, periodically reviewed for relevancy and accuracy, updated as required, adequately communicated to the appropriate staff and monitored for adherence.
- Work collaboratively and cooperatively with the Enterprise Risk Management (ERM) and Internal Control Framework (ICF) owners to integrate their processes where appropriate into the Framework.
- Review Framework periodically and revise as necessary.
- Collaborate with Compliance Champions and other relevant stakeholders to create a corporate Compliance Governance Policy.
- Chair the Network of Compliance Champions.

Compliance Champions:

The Compliance Champion will act as the subject matter expert on the LRRs in their respective unit, sphere of influence or area of functionality (hereafter “area”) and also serve as a liaison with the ECO. The Compliance Champions will have access to and the support of Key Resources who will provide support and guidance upon request.

- **Compliance Champion Responsibilities**
 - Have substantial understanding of processes and procedures and the ability to meaningfully influence resource allocation and management decisions in their area.
 - Identify all LRRs within their area.
 - Ensure LRRs are currently implemented (and documented as such) into the business process.

- Establish procedures for ongoing, documented, training of the LRRs to appropriate staff including new employees.
 - Establish procedures to monitor for LRR compliance including documenting noncompliance.
 - Establish procedures for periodic monitoring for updates and changes to LRRs.
 - Establish procedures for communicating changes to the LRRs to the appropriate staff.
 - Ensure changes in the LRRs are implemented in the business process or if not feasible documented as an area of non-compliance.
 - Periodically report to the ECO results of monitoring, communicating and training activity.
 - Periodically report to the ECO areas of non-compliance.
 - Collaborate with the ECO on the appropriate response to areas of noncompliance.
 - Assist the ERM program, working in conjunction with the ECO, in identification, evaluation and analysis of compliance risks.
 - Work within their area to encourage a culture of compliance including compliance with all Corporate Policies and the Citizens Code of Ethics.
- **Compliance Champion Network Collective Responsibilities**
 - Develop, by consensus, a procedure on Corporate Policy development and modification and present to ELT for adoption.
 - Develop, by consensus, a procedure on periodic assessment of compliance risk at the business unit and enterprise level and present to Risk Committee for approval.
 - Act as a preliminary feedback group for proposed corporate policy adoptions and amendments, upon request, to ensure alignment with current operational practices.
 - Act as resource for collaborative feedback, upon request, by individual Compliance Champions, the ECO or other relevant stakeholders, on changes in operational policies and procedures in order to mitigate unintended consequences.
 - Act as a preliminary resource, sounding board and information gathering group as needed when issues are identified that may indicate areas of non-compliance.
 - Serve as the primary resource for the ECO in the implementation and maintenance of a comprehensive compliance framework to include collaboration on the creation of standardized, enterprise policies, procedures and templates, regarding identification, communication, training, monitoring and reporting on compliance related matters.

Key Resources

Corporate Communications
 Corporate Legal Services
 Enterprise Risk Management
 Human Resources
 Office of Inspector General
 Office of the Internal Auditor

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