



Audit Committee Charter

PURPOSE

The purpose of the Audit Committee (Committee) is to assist the Board of Governors (Board) of Citizens Property Insurance Corporation (Citizens) in fulfilling its oversight responsibilities for (1) the integrity of Citizens' financial statements, (2) Citizens' compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, and (4) the performance of the Office of the Internal Auditor (OIA) and independent auditors. The Committee will make regular reports to the Board concerning its activities.

COMPOSITION

In accordance with Citizens' Plan of Operation, the Board's Chair will appoint at least three members of the Board to the Committee, and shall appoint one member of the Committee as Chair. The Board's Chair should endeavor (but is not required) to appoint members of the Committee who, collectively, have professional experience, expertise, or education in the following fields: insurance, accounting, auditing, information technology and financial management.

MEETINGS AND COMMUNICATIONS

The Committee will meet at least four times a year, with authority to convene additional meetings as circumstances require. All committee members are expected to attend each meeting, in person or via telephone or videoconference. The Committee will invite members of management, auditors and/or others to attend meetings and provide pertinent information, as necessary. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. The minutes of each meeting will be prepared and sent to Committee members and approved at subsequent meetings. Committee meetings and notices shall be in compliance with the Florida Sunshine Law.

AUTHORITY

The Committee's authority comes from the Board. The Committee has the authority to conduct or authorize audits or investigations into any matters within the scope of the Committee's responsibility. The Committee is empowered to:

- Oversee the work of the independent public accounting firm employed by Citizens to conduct the annual external audit. The firm will report through the Committee to the Board.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all auditing and permitted non-audit services performed by the external audit firm.
- Appoint the Chief of Internal Audit, oversee OIA's work and annually review and recommend sufficient financial and staffing resources for the OIA.
- Have unrestricted access to all Citizens activities, records, property and personnel.
- Meet with company officers, external auditors, or outside counsel, as necessary.
- Retain, with Board approval, independent counsel, accountants, or others having special competence as necessary to assist in fulfilling its responsibility or assist in the conduct of an investigation.

RESPONSIBILITIES

The Committee is accountable to the Board for carrying out the following responsibilities:

FINANCIAL STATEMENTS

- Review significant accounting practices and financial reporting issues and understand their impact on the financial statements. These issues include:
 - Complex or unusual transactions and highly judgmental areas.
 - Major issues regarding accounting principles and financial statement presentations, including any significant changes in Citizens' selection or application of accounting principles.
 - The effect of regulatory and accounting initiatives on the financial statements.
- Review with management and the external auditors the results of the audit, including any difficulties encountered. This review will include any restrictions on the scope of the external auditor's activities or on access to requested information and any significant disagreements with management.
- Discuss the annual audited financial statements with management and the external auditors, including Citizens' disclosures.

INTERNAL CONTROL

- Consider the effectiveness of Citizens' internal control system, including information technology security and control.

- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- Review any disclosures made about reportable conditions in the design or operation of internal controls or any fraud that involves management or other employees who have a significant role in Citizens' internal controls.

INTERNAL AUDIT

- Annually review, with the Chief of Internal Audit, the OIA Charter, plans, activities, staffing, organizational structure and compensation of the internal audit function. Confirm and ensure the independence and objectivity of the OIA.
- Have final authority to review and approve the annual audit plan and all major changes to the plan.
- Once per year, review the performance of the Chief of Internal Audit and concur with the annual compensation and salary adjustment.
- Review the effectiveness of the internal audit function, including compliance with the *International Standards for the Professional Practice of Internal Auditing* and the *Code of Ethics* of The Institute of Internal Auditors.

EXTERNAL AUDIT

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- On a regular basis, meet with the external auditors to discuss any matters that the Committee or auditors believe should be discussed.
- At least annually, obtain and review a report by the external auditor describing the auditor's internal quality-control procedures and any material issues raised by the most recent peer review of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more external audits carried out by the firm, and any steps taken to deal with any such issues.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the company, including non-audit services, and discussing the relationships with the auditors.
- Review the performance of the external auditors, and make a recommendation to the Board on the appointment or discharge of the auditors.

RISK MANAGEMENT

- Discuss with management Citizens' major policies with respect to risk assessment and risk management.
- Review analysis and proposed plans from the Enterprise Risk Management Department, including risk registers, heat maps, and supporting documentation. Assess and provide recommendations.

COMPLIANCE

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Ensure Citizens has appropriate procedures for the receipt, retention, and treatment of complaints received (whether anonymous or other) regarding questionable accounting or auditing matters.
- Review the findings of any examinations by regulatory agencies and any auditor observations.
- Review the process for communicating the code of conduct to Citizens' personnel and for monitoring compliance therewith.
- Obtain regular updates from management and Citizens' General Counsel regarding compliance matters.

REPORTING

- Regularly report to the Board about Committee activities and issues that arise with respect to the quality or integrity of Citizens' financial statements, Citizens' compliance with legal or regulatory requirements, the performance and independence of Citizens' external auditors and the performance of the internal audit function.
- Provide an open avenue of communication between staff, management, internal audit, the external auditors and the Board.
- Review any other reports of Citizens' issues that relate to Committee responsibilities.

OTHER RESPONSIBILITIES

- Review and assess the adequacy of the Committee Charter annually, requesting Board approval for proposed changes.
- Institute and oversee special investigations as needed.
- Confirm annually that all responsibilities outlined in this Charter have been carried out.
- Perform other activities related to this Charter as requested by the Board.