



INTERNAL AUDIT

Managed Repair Program
Audit Report

December 14, 2018



Table of Contents

		Page
	Executive Summary	
	Background	1
	Audit Objectives and Scope	1
	Audit Results	1
	Appendix	
	Distribution	4



Executive Summary

Background

In July 2017, Citizens established a Managed Repair Program (MRP). The objective of the MRP is to deliver a customer focused turnkey service that returns the customers' property to the pre-loss condition and helps to reduce the volume of water loss litigation.

The MRP includes two separate loss service components, emergency water removal services and a managed repair contractor network program. Citizens contracted with Contractor Connection, a division of Crawford & Company, to facilitate the Managed Repair Program. Contractor Connection provides a range of insurance repair services through a network of credentialed and vetted repair contractors.

Managed Repair is an optional service that Citizens is providing to policyholders for non-weather water claims that includes emergency water removal service at no cost and/or permanent repairs with no sublimit that is backed by a three-year guarantee. Maintaining a consistent and reliable customer experience is a priority of the MRP program. Citizens has undertaken efforts to communicate and educate policyholders through multiple channels, including registered mail, fridge magnets, and explicit and highly visible language on renewal documentation. In addition, Citizens has educated and trained staff representing Citizens at all points of contact with the policyholders, including Agents, Independent Adjusters, and Staff Adjusters.

Audit Objectives and Scope

The objective of this audit was to assess the readiness, adequacy and efficiency of internal MRP processes, controls and oversight procedures, to ensure the program is effective and department objectives are achieved and focused on an assessment of controls for the following areas:

- Validation of MRP management reports and dashboards
- Ensure appropriate oversight of the MRP end-to-end process
- Review of the process in-place to determine policyholders experience with MRP
- Review of third-party vendor performance and capacity
- Verify education and communication of policy endorsements for both the policyholders and Citizens' employees

Effective August 1, 2018, Citizens revised the MRP products for personal lines Homeowners (HO-3) and Dwelling Property (DP-3). Given transaction volume to date, effectiveness of changes to the program were not assessed in this audit.

Results

Our audit work indicates that management's efforts to develop and stand up a well-defined and thorough processes to ensure implementation and oversight of the MRP have been successful. Communication of policy changes to policyholders and training across a broad spectrum was thorough and ensured that all departments supporting the MRP, including independent adjusters



Executive Summary

and Contractor Connection personnel, are equipped to provide the insured with consistent program knowledge and service.

The MRP is a first of its kind product offering and Citizens has just over a year of operational experience. Some opportunities for improvement were noted and should be considered as the program matures:

- The MRP Executive Dashboard report is an important tool in assessing the effectiveness and efficiency of the program and therefore quality of the results is essential. The following changes could further improve reliability of dashboard results:
 - Key controls to manage inherent risk of the MRP are dependent on a third-party vendor. Management is encouraged to periodically re-evaluate Key Performance Indicators to ensure the metrics continue to provide sufficient information and address potential concerns.
 - During our review, management implemented a more comprehensive data quality review process including mapping the data flow from the source to the reports and definitions for each field. Management is encouraged to continue to enhance the data quality review process to strengthen the reliability and accuracy of the executive dashboard reports. This should include documentation evidencing a data quality review and version control protocol to secure reports.
- OIA observed instances where assignment data entered into CAIS was incomplete which may indicate that a contractor was not assigned to a claim timely. A formal process should be established to monitor the timeliness and completeness of Contractor Connection data input into the CAIS assignment and credentialing system. Claims management plans to implement an automated e-mail notification that will be sent to Contractor Connection when a CAIS field is missing to ensure data entry is completed and contractors are assigned timely.
- Current policy terms place a firm limit for mitigation and permanent repair payments which relies on manual enforcement. Consideration should be given to enhance ClaimCenter to automate policy authority limits related to water mitigation and permanent repair to require management override when a policyholder has not enrolled in MRP. Requiring an automated stop and exception justification for an override will ensure adherence to policy terms and improve the reliability of the process. In the interim, claims management has implemented a new Non-weather Water Payment Worksheet beginning 11-8-18 that strengthens the enforcement of policy terms.
- Citizens has a strong customer survey program called Voice of the Customer that sends a survey for every closed claim including MRP. The timeliness of the survey can be improved by not delaying the process while the claim proceeds though subrogation or other factors that may impact the timing of the survey. To further address customer satisfaction with claim

**Executive
Summary**

handling and the work performed by the contractor, an additional MRP customer assessment is performed by Claims Quality Assurance as part of the post MRP repair process.

- Management should continue to align the MRP contractor process with standard industry practices. During discussions with Claims management, it was noted that Citizens' current process to track and monitor assignments requires Contractor Connection to utilize CAIS thereby inserting additional steps that are not in alignment with industry standard practices. Consider streamlining the process to track assignment data through XactAnalysis reducing redundancy and improving processing speed and reliability.

The OIA would like to thank management and staff for their cooperation and professional courtesy throughout the course of this audit.



Appendix 2

Distribution

Addressee Jay Adams, Chief Claims Officer

Addressee(s) **Business Leaders:**
 Barry Gilway, President/CEO/Executive Director
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 Christine Turner Ashburn, Chief, Communications, Legislative & External Affairs
 Kelly Booten, Chief Systems & Operations
 Jeremy Pope, Sr. Director Consumer & Policy Services
 Mike Gilmer, Director Claims
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Audit Committee:
 Bette Brown, Citizens Audit Committee Chairperson
 James Holton, Citizens Audit Committee Member
 Senator John McKay, Citizens Audit Committee Member
 Marc Dunbar, Citizens Audit Committee Member

Following Audit Committee Distribution:
 The Honorable Rick Scott, Governor
 The Honorable Jimmy Patronis, Chief Financial Officer
 The Honorable Pam Bondi, Attorney General
 The Honorable Adam Putnam, Commissioner of Agriculture
 The Honorable Bill Galvano, President of the Senate
 The Honorable Jose R. Oliva, Speaker of the House of Representatives

The External Auditor

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